# FRANCHISE DISCLOSURE DOCUMENT

**Body and Brain Center, LLC**
**an Arizona limited liability company**
**1234 S. Power Road, Suite 250**
**Mesa, Arizona 85206**
**Phone: (480) 550-8644**
**E-Mail: support@bodynbrain.com**
**Website: www.bodynbrain.com**

Body and Brain Center, LLC offers franchises for Body & Brain Centers that provide holistic health and healing programs to individuals and small groups and sell related products and subscription services.

The total investment necessary to begin operation of a Body & Brain franchise ranges from $52,930 to $115,550. This includes an amount ranging from $30,450 to $33,700 that must be paid to us and our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 1234 S. Power Road, Suite 250, Mesa, Arizona 85206 or call (480) 550-8644.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, for instance "*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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at *www.ftc.gov* 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: February 12, 2025

## How to Use This Franchise Disclosure Document

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

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

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

**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, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arizona than in your own state.

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

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

Definitions

To simplify the language in this Disclosure Document, "we," "us" and "the Company" mean Body and Brain Center, LLC - the franchisor. "You", the "Owner" or the "Owners" means the person or persons who buy a Body & Brain franchise - the franchisee, and includes your shareholders if you are a corporation and your members if you are a limited liability company.

Corporate Information

Body and Brain Center, LLC is an Arizona limited liability company that was organized on December 12, 2007. Our principal business address is located at 1234 S. Power Road, Suite 250, Mesa, Arizona 85206 and our telephone number is (480) 550-8644. Our agent for service of process is disclosed in EXHIBIT "B" to this Disclosure Document. We do not do business under any names other than "Body and Brain Center, LLC".

Franchisor's Business History and its Franchises

In February 2008, we began offering Body & Brain Center franchises, which are offered under this Disclosure Document.

We began offering Body & Brain home-based franchises in February 2015. The Body & Brain home-based franchise is offered under a separate Disclosure Document. Body & Brain home-based franchisees do not operate from a dedicated retail location. Instead, they operate from a home-based office and focus on offering the physical aspects of Body & Brain holistic products and services at their clients' homes and business locations or utilize temporary space to offer classes. Home-based franchisees offer the same goods and services as Body & Brain Centers except Body & Brain home-based franchisees cannot offer special trainings that can be offered by Body & Brain Centers. As of the date of this Disclosure Document, we have sold a total of 26 Body & Brain home-based franchises.

Having offered the Body & Brain home-based franchise model for more than 2 years, we recognize that our original Body & Brain Center franchise model is more beneficial to franchisees. So, we are in the process of transitioning the Body & Brain home-based franchise model to the Body & Brain Center franchise model. Only Body & Brain Center franchises are available for new franchises. We anticipate that we will continue to have Body & Brain home-based franchises for a significant amount of time, but only in states with existing Body & Brain home-based franchisees or prospective Body & Brain home-based franchisees who wish to sign an agreement for, operate, renew, or transfer a Body & Brain home-based franchise.

A Body & Brain home-based franchisee can convert to a Body & Brain Center franchise by meeting the requirements and paying the conversion fee described in Item 5. A Body & Brain Center franchisee will not be allowed to convert to a Body & Brain home-based franchise except that conversion is allowed if before June 1, 2017, a Body & Brain Center franchisee has made an offer to us, evidenced by writing, to convert to a Body & Brain home-based franchise.

We do not offer franchises in any line of business other than: (i) the Body & Brain Center franchise offered under this Disclosure Document; and (ii) the Body & Brain home-based franchise offered under a separate Disclosure Document.

We are not engaged in any business other than offering Body & Brain franchises and administering the

franchise system. We operated a Body & Brain Center in New Jersey from 2013 to 2014 that we reacquired from a franchisee and have operated a Body & Brain Center in Arizona since 2022. We have not otherwise directly operated a Body & Brain Center. However, as discussed below, our parent company has also operated similar businesses.

Parents, Affiliates and Predecessors

Our parent company is Body & Brain Yoga and Health Centers, Inc. ("BBYHC") (formerly named Dahn Yoga and Health Centers, Inc.) and its principal business address is 1234 S. Power Road, Suite 250, Mesa, Arizona 85206. BBYHC is owned by its parent company, Brain Training Center Co., Ltd ("Brain Training Center") (formerly named Dahn World Co., Ltd), which has a principal business address of 277-20 Nonhyun Building, Nonhyun, Kangnam, Seoul Korea. BBYHC operates approximately 50 Body & Brain Centers in the United States (formerly Dahn Yoga Centers) and Brain Training Center operates approximately 137 Dahn Yoga Centers outside the United States. BBYHC provides certain training to our franchisees as further discussed below under "Franchisee Qualifications." Neither BBYHC nor Brain Training Center has offered franchises in this or any other line of business.

We do not have any predecessors. Except as disclosed above, we do not have any affiliates that provide goods or services to our franchisees or that have offered franchises in this or any other line of business.

Franchisee Qualifications

We only consider offering franchises to individuals who have completed: (i) at least 6 months of regular classes held at a Dahn Yoga Center or Body and Brain Center; (ii) the Self-Enrichment workshop provided by BBYHC; and (iii) the Qualified Instructor Training provided by BBYHC; (iv) the Leadership Training provided by BBYHC.

Description of Franchised Business

Under your Body & Brain franchise (referred to in this Disclosure Document as your "Business" or your "Center"), you will focus on offering the physical aspects of Body & Brain holistic products and services. In particular, you will establish and operate a business that provides holistic health and natural healing programs to individuals and small groups and sells related products. Body & Brain Centers offer Dahn Yoga classes, including dieting programs, Tai-chi programs, exercise programs, relaxation programs, natural healing programs and life coaching. Many of the exercises are brain-based, meaning they are designed to encourage normal brain wave functions, which allows the human body to take advantage of its natural healing power. You will utilize integrative lifestyle coaching to help people develop a healthy lifestyle using certain tools, such as counseling, exercise, media content and related products. You will utilize the Solar Body Method, which is a systemized training method that strengthens the body's natural healing capacity. The products sold by Body & Brain franchisees include books, uniforms, clothing, dietary supplements, skin care products, subscriptions to online programs (including changeyourenergy.com), and various devices that assist with the health and natural healing programs. Among these products, dietary supplements and skin care products may be subject to regulation or approval by the United States Food and Drug Administration under the Food Drug and Cosmetic Act of 1938, the Dietary Supplement Health and Education Act of 1994, or other applicable laws. All other products are not subject to such regulations.

As part of your Business, you will also have the opportunity to receive referral fees if you refer your members to certain of our affiliated companies (including BBYHC) and they participate in a workshop, retreat, or other program offered by the affiliated company. These affiliated companies may include companies under common ownership with us or third parties operating under a license granted by us or one of our affiliates. In order to take advantage of these referral programs, you must sign the Referral Agreement

that is attached to this Disclosure Document as EXHIBIT "F". In the past, we offered a "Platinum Membership" program for Body & Brain customers that included acceptance of Dahn Center Gold members. We no longer offer the Platinum Membership program and BBYHC no longer offers the Gold Membership program, although pre-existing platinum members and gold members are still permitted to receive the benefits under these programs.

We will grant you a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body & Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of your Business. You must sign a franchise agreement (the "Franchise Agreement") and operate your Business in accordance with the terms of the Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C". Before you attend training, you must sign either the Franchise Agreement or the form of Training Agreement that is attached to this Disclosure Document as EXHIBIT "D" (the "Training Agreement"). Under the terms of the Training Agreement, you will have a period of 180 days after successfully completing training to sign the Franchise Agreement. If you do not sign the Franchise Agreement within that period of time, we will have no further obligation to grant you a franchise.

We have developed a unique system (the "System") for the operation of a Body & Brain Center. Distinctive characteristics of the System include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system. The operational aspects of a Body & Brain franchise are contained within our confidential Operating Manual (the "Manual"). You will operate your Body & Brain franchise as an independent business using the Marks, the System, the Body & Brain name, as well as the support, guidance and other methods and materials provided or developed by us.

Market and Competition

The primary target market for Body & Brain customers includes individuals who want to develop their brain potential and create a healthier lifestyle. The alternative health industry is large, well developed, and highly competitive. A Body & Brain franchisee competes primarily with other businesses that provide healing and relaxation services, for instance life coaching, massage therapy, physical therapy and Yoga, as well as businesses that provide alternative medicine, for instance acupuncture, chiropractic services, homeopathy, herbs and energy therapies. Some of these businesses operate through franchises.

Laws and Regulations

There are no laws or regulations that are specific to this industry. However, in certain states, "health clubs" are subject to special laws and regulations and some of these laws may apply to your Center if it is deemed to be a health club. Among other things, these laws and regulations may impose requirements relating to the consumer contracts that your members will sign. The federal Truth in Lending Act may also require you to provide certain disclosures in these consumer contracts to the extent that you offer financing. You must hire an attorney to review the form of membership agreement and other consumer contracts that you use to ensure they comply with the laws of your state. Dietary supplements and skin care products sold by Body & Brain franchisees may be subject to regulation or approval by the United States Food and Drug Administration under the Food Drug and Cosmetic Act of 1938, the Dietary Supplement Health and Education Act of 1994, or other applicable laws. You must comply with all federal and state licensing and other regulatory requirements for the operation of your Business. There may be other local, state and/or federal laws or regulations pertaining to your Business with which you must comply.

## ITEM 2 BUSINESS EXPERIENCE

Jeong Hee Jeon – President and Member of the Board of Managers

Jeong Hee Jeon has been employed by us since January 2024. Ms. Jeon was appointed to our Board of Managers in February of 2024 and has served as our President since February of 2024. From January 2019 to October 2023, Ms. Jeon served as the Director/Administrator for Tenerife Healing Garden, SL in Santa Cruz, Spain.

Joung Yoon – Member of the Board of Managers

Joung Yoon was appointed to our Board of Managers in March of 2012. Mr. Yoon has served as a Senior Instructor for our parent company, BBYHC, in Mesa, Arizona since January of 2020.

Eun Jeong Lee – Operations/Administrative Manager and Member of the Board of Managers

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018.

## ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item. California law requires additional disclosures related to the information contained in Item 3. These additional disclosures appear in the California Addendum that is attached to this Disclosure Document as EXHIBIT "I".

## ITEM 4 BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

## ITEM 5 INITIAL FEES

Initial Franchise Fee

You will pay us an initial franchise fee in one lump sum before you attend our initial franchise training program. Specifically, the initial franchise fee is due at the time you sign the Franchise Agreement (or Training Agreement, if applicable). The initial franchise fee is $10,000.

We have the Additional Center Discount Program. Under the Program, a reduced intial franchise fee of $9,000 applies for an additional Body & Brain Center if an existing Body & Brain Center franchisee is approved to enter into a new franchise agreement for the additional Body & Brain Center. Except as provided in the Additional Center Discount Program, the initial franchise fee is uniformly imposed on all franchisees.

The initial franchise fee is paid for the right to enter into the franchise and covers our expenses incurred for marketing and advertising. The initial franchise fee is not refundable under any circumstances, although we reserve the right to grant refunds in our sole discretion.

Initial Training Fee

You must pay us an initial training fee of $10,000 before attending our initial franchise training program. Specifically, the training fee is due at the time you sign the Franchise Agreement (or Training Agreement, if applicable). You must pay us a separate $10,000 initial training fee for each person that attends initial training. We anticipate that most (if not all) franchisees will send only 1 person to initial training. We will

refund the entire training fee if you notify us that you wish to cancel the franchise before you begin training. The initial training fee is not refundable under any other circumstances.

If you fail to successfully complete our initial training program, you must retake training and pay us a retraining fee of $400 for each instance where you must retake training. The retraining fee is due prior to attending the retraining session and non-refundable.

The initial training fee and the retraining fee are uniformly imposed on all franchisees.

Self-Enrichment Workshop

Before you apply for the franchise, you must attend the Self-Enrichment workshop provided by BBYHC. You must pay BBYHC a fee ranging from $150 to $400 to attend the Self-Enrichment workshop. This fee is payable at the time you sign up for the Self-Enrichment workshop. The fee for the Self-Enrichment worship is uniform. The entire fee is refundable if you notify BBYHC that you will not attend the training program before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to $50.

Qualified Instructor Training

Before you apply for the franchise, all Owners must complete the Qualified Instructor Training program provided by BBYHC. You must pay BBYHC a fee of $2,800 to $3,900 to attend the training. This fee is payable at the time you sign up for the training. The Qualified Instructor Training fee is uniform. The entire fee is refundable if you notify BBYHC that you will not attend the training program before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to $50.

Leadership Training

Before you apply for the franchise, all Owners must complete the Leadership Training program provided by BBYHC. You must pay BBYHC a fee of $7,500 to $9,400 to attend the training. This fee is payable at the time you sign up for the training. The Leadership Training fee is uniform. The entire fee is refundable if you notify BBYHC that you will not attend the training program before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to $50.

Conversion Program

A Body & Brain home-based franchisee has the option to convert to a Body & Brain Center franchise if the Body & Brain home-based franchisee: (i) is in full compliance with the terms of the Franchise Agreement for the Body & Brain home-based franchise; (ii) pays a conversion fee of $10,000; (iii) completes the Leadership Training; (iv) signs our then current form of franchise agreement for a Body & Brain Center franchise and a general release. If a Body & Brain home-based franchisee exercises this option, the conversion fee is paid in lieu of the initial franchise fee for the Body & Brain Center franchise and the Body & Brain home-based franchisee is not required to pay the initial franchise fee, nor is it required to retake, or pay for, the initial training, Self-Enrichment Workshop or Qualified Instructor Training. The conversion fee is non-refundable. The conversion fee is uniformly imposed on all franchisees.

Initial Inventory

Before you open, you may purchase your initial supply of inventory items from HSP World, which is BBYHC's merchandising division, including books, uniforms, clothing, healing products, dietary

supplements, and skin care products. You are not required to purchase any of these items, although we anticipate that most franchisees will purchase between $500 and $2,000 worth of inventory items from BBYHC before opening. The price of these inventory items is uniformly imposed on franchisees. BBYHC will provide a full refund of the purchase price for any inventory items that are returned, but only if: (i) the items are unopened and in good and useable condition or have any damage caused by shipping; and (ii) the request for refund must be made to BBYHC within 30 days of delivery. The purchase price is not refundable under any other circumstances.

## ITEM 6 OTHER FEES

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Royalty Fee [1] | 10% of monthly Program Sales [2] | Payable on or before 6th day of month for prior month's operations | None |
| Additional Training Fee [1] | Up to $150 per hour plus food, lodging and travel expenses | As invoiced | See Note 3. |
| Initial Training Fee [1] | $10,000 for first session, $400 for "retraining" | Before training | See Note 4. |
| Advertising Fund Fee [1] | 0.5% of Program Sales [2] | Payable on the 6th day of month for prior month's operations | See Note 5. |
| Cooperative Advertising Fee [1] | Up to 0.5% of Program Sales, or as otherwise established by the cooperative [2] | Payable on the 6th day of month for prior month's operations | Payable only if we establish an advertising cooperative that includes your territory. See Note 6. |
| National Conference Fee [1] | Up to $100 per day per person | As invoiced | See Note 7. |
| Inventory Items [1] | Varies | Upon order | BBYHC is the supplier for most of your inventory items. You are not required to purchase any inventory items. |
| Software Fee [1] | Currently $40 per month (not to exceed $100 per month) | Payable on the 6th day of month | See Note 8. |
| Audit Fee [1] | Actual cost of audit plus $2,500; you must also pay travel and lodging expenses for the audit team | Upon completion of audit | See Note 9. |
| Renewal Fee [1] | $1,000 | 90 days before expiration of term | None. |
| Transfer Fee [1] | Our costs incurred as part of transfer, up to maximum of $3,000 | Before consummation of transfer | See Note 10. |
| Fines [1] | Up to $500 per incident (maximum of $2,500 for same violation) | 10 days after billing | See Note 11. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Late Fee [1] | Lesser of 18% of amount past due or highest rate allowed by applicable law | 10 days after billing | See Note 12. |
| Reimbursement of Expenses for On-Site Assistance | Reasonable cost of travel, meals, lodging and other expenses incurred by our representative while providing on-site assistance to you | Upon completion of on-site assistance | We may, but need not, send a representative to your location to assist you with the opening of your business. We do not charge a fee for this assistance but you must reimburse us for all travel, meals, lodging and other expenses incurred by us or our representative in providing this assistance to you. |
| Attorneys' Fees and Costs [1] | Will vary with circumstances | Upon demand | You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement or any other agreement with us or our affiliates. |
| Indemnification [1] | Will vary with circumstances | As incurred | You must reimburse us if we are sued for claims from the operation of your Business or for damages or expenses that we incur due to your breach of the Franchise Agreement. |
| Insurance [1] | Actual cost of premiums, plus our costs and expenses | As incurred | If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us. |

NOTES:

(1) All fees are imposed by and are payable to us other than the Software License Fee and the cost of inventory items, which are paid to BBYHC. All fees are non-refundable, except that the payments for inventory items may be refunded under the conditions described in Item 5. All fees are uniformly imposed on Body & Brain Center franchisees. You must sign an ACH Authorization Form (attached to the Franchise Agreement as Attachment "D"), permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must deposit all revenues derived from the operation of your Business into the bank account and ensure that there are sufficient funds available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you.

(2) "Program Sales" means all gross sums that you receive from all services sold in or at your Business (including memberships and referral fees). "Program Sales" do not include (i) revenues from product sales, (ii) amounts refunded to customers or (iii) sales and use taxes. Any amounts that are included in Program Sales for 1 reporting period but are subsequently refunded will be deducted from your Program Sales for the next reporting period. You must provide us with reports of your Program Sales as well as your product sales. You must record all sales information on the same day that the sale takes place.

(3) We may, but need not, offer periodic additional training programs. These programs are optional, but if you choose to attend, we may charge you the additional training fee. Upon your request, we may provide additional training that you request. We are not required to provide this training, but if we agree to do so, you must pay us the additional training fee. You are also responsible for all

food, lodging and travel costs associated with additional training. If we travel to you to provide the training, you must reimburse us for all food, lodging and travel expenses that we incur.

(4) You will pay us the $10,000 initial training fee disclosed in Item 5 for each person who attends our initial training program. If you add a new owner or hire a manager after opening, you must pay us the $10,000 initial training fee to train that person. If that person fails training on the initial attempt, you must pay us the $400 retraining fee for each subsequent attempt. We expect that most franchisees will not have multiple owners.

(5) We have established and maintain an advertising fund for marketing, advertising and promotional materials, public and consumer relations, publicity, and other programs that we may deem necessary or appropriate in our sole discretion. You will have no voting rights pertaining to the administration of the advertising fund, the creation and placement of the marketing materials or the amount of the advertising fund fee.

(6) We may establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We will collect the cooperative advertising fees and remit these fees to the applicable advertising cooperative (unless we administer the advertising cooperative ourselves). The amount of the cooperative advertising fee may be adjusted (or temporarily suspended) upon the majority vote of all franchisees within the advertising cooperative. Any Body & Brain Center that we operate will have the same voting power as third party franchisees. If we own the majority of Body & Brain Centers within an advertising cooperative, we will not increase the cooperative advertising fee without the consent of a majority of all third-party Body & Brain Center franchisees within the advertising cooperative. All cooperative advertising fees will be uniformly imposed on all franchisees within the advertising cooperative, including any Body & Brain Center that we operate.

(7) We may hold periodic national conferences. These conferences are mandatory, unless an Owner or manager cannot attend due to circumstances beyond his or her control. We may also waive the attendance requirement in our sole discretion. We may charge you the national conference fee for each person who attends. These conferences will likely be held in Arizona or New York, although we can select any location within the continental United States. In addition to the fee, you are responsible for all food, lodging and travel costs that you incur in attending a national conference. We may also conduct national conferences by telephone or a web-based conference.

(8) You must utilize BBYHC's proprietary web-based operations software, BRMNet. You will sign the Software Service Agreement attached to this Disclosure Document as EXHIBIT "G". You must pay BBYHC a software fee of $40 per month for use of this software (the fee includes technical support, updates and upgrades to the software). We reserve the right to change the software that you must use at any time. If we require that you use software that is licensed from us, we may require that you sign a software license agreement with us and we may charge you commercially reasonable initial and ongoing licensing fees. Alternatively, we may enter into other software license agreements with the licensors of the software and then sublicense the software to you. If this occurs, we may charge you for all amounts that we must pay to the licensor(s) based on your use of the software.

(9) The audit fee must be paid only if (i) we find, after an audit, that you have understated any amount due to us by at least 3% for any monthly period or (ii) the examination or audit is required due to your failure to furnish required information or reports to us in a timely manner or record sales properly. In addition to the audit fee, you must pay us all past due amounts, together with any applicable late fee.

(10) The transfer fee is only paid if you transfer or sell your franchise. We will not charge you the transfer fee if you transfer the franchise to an entity that you control. The transferee must also pay us $10,000 for each new Owner and manager that we must train.

(11) We may impose a fine only if (i) you do not comply with our standards and you fail to correct the noncompliance within the required corrective period or (ii) you receive a customer complaint and fail to follow our complaint resolution process. All fines will be deposited into the advertising fund.

(12) We may charge the late fee on all overdue amounts under the Franchise Agreement. If the Franchise Agreement does not specify a due date, interest begins to accrue 10 days after billing. If there are sufficient funds in your designated checking account to cover all amounts due us as these amounts become due and you provide us with reports of Program Sales and record sales on a timely basis, you will not be charged a late fee.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

| YOUR ESTIMATED INITIAL INVESTMENT | | | | |
|---|---|---|---|---|
| **TYPE OF EXPENDITURE** | **AMOUNT** [1] | **METHOD OF PAYMENT** | **WHEN DUE** | **TO WHOM PAYMENT IS TO BE MADE** |
| Initial Franchise Fee | $10,000 | 1 installment by electronic debit, cashier's check or personal check | When you submit proposed site for your Business | Us |
| Initial Training Fee [2] | $10,000 | Lump sum | Before attending training | Us |
| Self-Enrichment Workshop [3] | $150 to $400 | Lump sum | Before attending workshop | BBYHC (we may collect and pay to BBYHC at our option) |
| Qualified Instructor Training [3] | $2,800 to $3,900 | Lump sum | Before attending training | BBYHC (we may collect and pay to BBYHC at our option) |
| Leadership Training [3] | $7,500 to $9,400 | Lump sum | Before attending training | BBYHC (we may collect and pay to BBYHC at our option) |
| Training Expenses (food, travel and lodging) | $2,300 to $5,000 | As incurred | Before and during training | Airlines, restaurants and lodging facilities |
| Lease deposit | $2,000 to $6,000 | As incurred | Before opening | Landlord |
| Rent (3 months after opening) [4] | $3,000 to $9,000 | Lump sum | Before opening | Landlord |
| Build Out & Improvements [5] | $5,000 to $30,000 | As incurred | Before opening | Architects, contractors, suppliers |
| Decorating, Furniture & Furnishings | $2,900 to $4,550 | As incurred | Before opening | Suppliers |

| YOUR ESTIMATED INITIAL INVESTMENT | | | | |
|---|---|---|---|---|
| **TYPE OF EXPENDITURE** | **AMOUNT** [1] | **METHOD OF PAYMENT** | **WHEN DUE** | **TO WHOM PAYMENT IS TO BE MADE** |
| Computer System | $1,100 to $2,700 | Lump sum | Before opening | Suppliers |
| Initial Supply of Inventory [6] | $500 to $2,000 | Lump sum | Before opening | Suppliers |
| Office Supplies | $300 | As incurred | Before opening | Suppliers |
| Signage | $500 to $2,000 | Lump sum | Before opening | Suppliers |
| Pre-opening Marketing | $1,500 to $2,500 | Lump sum | Before opening | Newspaper, Yellow Pages, ad printers, other media |
| Utility deposits | $0 to $300 | As incurred | Before opening | Utility companies |
| Music License Fee (for 1 year) | $300 to $600 | Lump sum | Before opening | Music licensing company |
| Business License | $30 to $500 | Lump sum | Before opening | Government agencies |
| Incorporation Fee [7] | $200 to $700 | Lump sum | Before opening | Government agencies |
| Professional Fees | $300 to $3,000 | Lump sum | Before opening | Accountants & lawyers |
| Insurance (premium for 1 year) | $500 to $900 | Lump sum | Time and manner required by insurance companies | Insurance companies |
| Additional Funds – 3 months [8] | $2,050 to $11,800 | As incurred | As incurred | Suppliers, employees and BBYHC |
| **Total Estimated Initial Investment** [9] | $52,930 to $115,550 | | | |

NOTES:

(1) We do not offer direct or indirect financing to franchisees for any of these items. We will refund the entire training fee if you notify us that you wish to cancel the franchise before you begin training. No other fees payable to us are refundable. BBYHC will refund the training fee for Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training if you notify BBYHC you will not attend before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to $50. BBYHC will refund the purchase price for the initial supply of inventory under the circumstances described in Item 5. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default. Because we do not expect many franchisees to be able to use the Additional Center Discount Program or the Conversion Program described in Item 5, our estimates above assume that neither the Additional Center Discount Program nor the Conversion Program applies.

(2) All Owners and managers must successfully complete the initial training program and pay the

training fee. Generally, we will require a franchisee to hire a manager if the franchisee purchases multiple franchises (unless the franchisee has at least 1 Owner for each franchise). We may also allow a franchisee to hire a manager if the franchisee purchases a single franchise, but the franchisee must still remain actively involved with the operation of the Center. Because we do not expect many franchisees (if any) to send more than 1 person to initial training at the initial phase of development, the estimate above assumes only 1 person attends the pre-opening initial training program.

(3) You must pay all travel, food and lodging costs associated with attending the franchise training program as well as the Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training.

(4) These figures presume that you will be leasing your premises. A Body & Brain Center typically ranges in size from 600 to 1,500 square feet. The expense of leasing will vary, depending upon the size of the premises, its location, landlord contributions, and the requirements of individual landlords. We estimate the rent will range from $1,000 to $3,000 per month. The estimate above includes the first 3 month's rent after opening your Center. Some franchisees may prefer to own the premises for their Body & Brain Center. The cost to purchase the real estate varies so widely that we cannot reasonably estimate this cost.

(5) The cost of leasehold improvements and build out will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements on the premises, the extent and quality of improvements desired by you, landlord's cash contribution to the cost of the improvements, and the like.

(6) You have the option of purchasing certain inventory items from BBYHC that you may resell to your customers.

(7) We recommend, but do not require, that you form a corporation or limited liability company to act as franchisee under the Franchise Agreement and to operate your Business.

(8) This estimates your expenses during the first 3 months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), monthly software fee (paid to us or BBYHC), advertising costs, utilities, postal costs, additional inventory and office supplies, gas cost, and other miscellaneous expenses.

(9) These figures are estimates based on the past experience of our parent company and franchisees in operating their Dahn Yoga Centers and Body & Brain Centers. You may have additional expenses starting your Business.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Source Restricted Purchases and Leases – Generally**

We require that you purchase or lease certain "source restricted" goods and services for the development and ongoing operation of your Business. By "source restricted," we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). Our specifications and list of approved and designated suppliers are contained in the Manual. We will notify you within 30 days of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or

updates to the Manual, bulletins, or other means of communication.

**Supplier Criteria**

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon your request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit any additional information that we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within 60 days after we receive your request for approval plus all additional information and samples that we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet any of our then-current criteria.

**Current Source Restricted Items**

As described below in more detail, we require that you purchase the following source restricted goods and services for use in the development and ongoing operation of your Business: all inventory, marketing materials, computer system, music, lease and insurance policies. We estimate that between 85% and 95% of the total purchases that will be required to establish and operate your Business will consist of source restricted goods or services.

*Inventory*

You are not required to purchase any inventory for resale although you have the option to do so. All inventory that you purchase must meet our standards and specifications and must be purchased only from designated or approved suppliers. BBYHC's merchandising division, HSP World, is our approved supplier for certain inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. Inventory items can also be purchased from other suppliers, as long as we approve them.

*Marketing Materials*

All of your marketing materials must comply with our standards and requirements. We must approve all of your marketing materials before you use them. You may purchase marketing materials from any supplier of your choosing.

*Computer System*

Your computer system (including software and hardware) must meet our standards and specifications. You may purchase your computer from any supplier of your choosing. You must also utilize the web-based point of sale system that we specify (currently, BRMNet Software), which you will license from our affiliate BBYHC.

*Music*

You may only play the music that we authorize from time to time relating to the operation of your Business. We do not offer licensing for any particular music, that must be obtained through Performance Rights

Organizations, such as ASCAP, BMI or SESAC. However, the music played at Body and Brain locations is an important aspect of brand continuity, so we require franchisees to get advanced authorization of music.

*Lease*

We do not review the terms of your lease. However, if you will lease the premises for your Center, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as Attachment "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Center. The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease.

*Insurance*

You must obtain the insurance coverage that we require from time to time (whether in the Franchise Agreement or in the Manual). You must purchase these policies from a carrier with an A.M. Best's rating of A or better. The required coverage currently includes: (i) "all risk" property insurance coverage; (ii) comprehensive general liability insurance in the minimum amount of $1,000,000 combined single limit per occurrence and $2,000,000 in the aggregate (with a maximum deductible of $1,000 per claim); (iii) worker's compensation insurance and employer's liability insurance as required by law; and (iv) any other limits and coverage that we periodically require in Manual. The required coverage and policies are subject to change. All insurance policies must: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy. You must provide us with a certificate of insurance along with the additional insured endorsement. These are just our minimum insurance requirements and you may wish to purchase additional coverage.

**Purchase Agreements**

At this time, we do not negotiate purchase agreements with suppliers. However, we may in the future try to establish relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us). Alternatively, we reserve the right to purchase the items in bulk and resell them to you at our cost plus a reasonable markup (your total cost to purchase the items from us will not exceed your total cost to purchase the items directly from the supplier without the benefit of our group purchasing power). There are no purchasing cooperatives, although we reserve the right to establish one or more purchasing cooperatives in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

**Franchisor & Affiliate Revenues from Source Restricted Purchases**

Although we are not currently an approved or designated supplier for any source restricted items, we reserve the right to designate ourselves as an approved or designated supplier in the future, in which case we may generate revenues from these purchases. We may receive rebates, payments or other material benefits from vendors based on franchisee purchases. We will deposit all rebates and payments from suppliers into the advertising fund. In the fiscal year ended December 31, 2024, we did not receive any revenues based on

Body & Brain Center franchisee purchases from approved or designated suppliers.

Our parent, BBYHC, is the exclusive licensor of the web-based point of sale system you must use (BRMNet Software). You must pay BBYHC a monthly fee of $40 per month for use of this system. BBYHC's merchandising division, HSP World, is our approved supplier for certain optional inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. BBYHC is also the exclusive provider of the required Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training. BBYHC and our other affiliates may be approved or designated suppliers for other goods or services in the future. During the fiscal year ended December 31, 2024, BBYHC received a total of $26,854.98 in revenues based on Body & Brain Center franchisee purchases from approved or designated suppliers, including purchases from BBYHC. The source of this information is an internal financial accounting document prepared by BBYHC's Accounting Department.

There are no approved or designated suppliers in which any of our officers owns an interest.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

| OBLIGATION | SECTION IN FRANCHISE AGREEMENT ("FA") OR SOFTWARE SERVICE AGREEMENT ("SSA") | DISCLOSURE DOCUMENT ITEM |
|---|---|---|
| a. Site selection and acquisition/lease | FA: Section 7.1 & 7.2<br>SSA: Not Applicable | Item 7 & 11 |
| b. Pre-opening purchases/leases | FA: Section 7.3, 10.4 & 15.1<br>SSA: Not Applicable | Item 5, 7, 8 & 11 |
| c. Site development and other pre-opening requirements | FA: Section 7.3 & 7.4<br>SSA: Not Applicable | Item 6, 7 & 11 |
| d. Initial and ongoing training | FA: Section 5<br>SSA: Not Applicable | Item 6 & 11 |
| e. Opening | FA: Section 7.4<br>SSA: Not Applicable | Item 11 |
| f. Fees | FA: Section 4.2, 5.6, 6.2, 9.1(b), 9.4, 10.8, 10.10, 13, 15.1 & 19.2(vi)<br>[Also see Section 3 of the Training Agreement]<br>SSA: Section 3.1 | Item 5 , 6, 8 & 11 |
| g. Compliance with standards and policies/Operating Manuals | FA: Section 6.1, 7.1, 9.3(a) & 10<br>SSA: Section 3.2 | Item 11 |
| h . Trademarks and proprietary information | FA: Section 17<br>[Also see Section 5 of the Training Agreement]<br>SSA: Section 4 & 5 | Item 13 & 14 |
| i. Restrictions on products/services offered | FA: Section 10.3 & 17.1<br>SSA: Not Applicable | Item 16 |

| OBLIGATION | SECTION IN FRANCHISE AGREEMENT ("FA") OR SOFTWARE SERVICE AGREEMENT ("SSA") | DISCLOSURE DOCUMENT ITEM |
|---|---|---|
| j. Warranty and customer service requirements | FA: Section 10.8<br>SSA: Not Applicable | Item 6 |
| k. Territorial development and sales quotas | FA: Not Applicable<br>SSA: Not Applicable | Item 12 |
| l. Ongoing product/service purchases | FA: Section 10.4<br>SSA: Not Applicable | Item 8 |
| m. Maintenance, appearance and remodeling requirements | FA: Section 10.5 & 10.6<br>SSA: Not Applicable | Item 11 |
| n. Insurance | FA: Section 15.1<br>SSA: Not Applicable | Item 6 & 7 |
| o. Advertising | FA: Section 9<br>SSA: Not Applicable | Item 6, 7 & 11 |
| p. Indemnification | FA: Section 18<br>SSA: Section 7 | Item 6 |
| q. Owner's participation/ management/staffing | FA: Section 8<br>SSA: Not Applicable | Item 11 & 15 |
| r. Records and reports | FA: Section 15.2, 15.3 & 15.4<br>SSA: Not Applicable | Item 6 |
| s. Inspections and audits | FA: Section 16<br>SSA: Not Applicable | Item 6 & 11 |
| t. Transfer | FA: Section 19<br>SSA: Section 4.2 & 10.3 | Item 17 |
| u. Renewal | FA: Section 4<br>SSA: Section 1.1 | Item 17 |
| v. Post-termination obligations | FA: Section 21<br>[Also see Section 5 of the Training Agreement]<br>SSA: Not Applicable | Item 17 |
| w. Non-competition covenants | FA: Section 14 & 21.1(iii)<br>[Also see Section 5 of the Training Agreement]<br>SSA: Not Applicable | Item 17 |
| x. Dispute resolution | FA: Section 22<br>SSA: Section 9 | Item 17 |
| y. Other (describe) | Not Applicable | None |

## ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

## TRAINING

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

**Before you open your Business, we will:**

1. License you the Marks necessary to begin operating your Business. (Section 2)

2. Approve the location, build-out and design of your Center. See Section below entitled "Site Development" for additional information. (Section 7.1, 7.3 & 7.4)

3. Review and approve the terms of your lease. See Section below entitled "Site Development" for additional information. (Section 7.2)

4. Provide you with written specifications for the goods and services you must purchase to establish your Business, as well as a written list of approved and/or designated suppliers for purposes of acquiring these goods and services. We do not deliver or install any of the items that you must purchase. (Section 10.2 & 10.4)

5. Loan you 1 copy of the Manual, which will help you establish and operate your Business. See Section below entitled "Manual" for additional information. (Section 6.1 & 10.2)

6. Provide an initial marketing plan for your Business. (Section 9.2)

7. Provide an initial training program. See Section below entitled "Training Program" for additional information. (Section 5.1)

**During the operation of your Business, we will:**

1. Give you ongoing guidance and recommendations on ways to improve the marketing and operation of your Business. (Section 6.3)

2. Maintain an Internet website that will include a list of all of the Body & Brain franchisees that are in good standing with us. We will also establish an intranet for our franchisees to provide operational support. We can modify the content of and/or discontinue the website at any time in our sole discretion. (Section 6.5)

3. Administer the advertising fund described in Item 6. See Section below entitled "Advertising Fund" for additional information. (Section 9.1)

**During the operation of your Business, we may, but need not:**

1. Upon your request, send one or more of our representatives to your Center to assist you with the opening of your Business. (Section 6.2)

2. Provide periodic training programs or conduct additional training that you request. See Section below entitled "Training Program" for additional information. (Section 5)

3. Develop new products or services for sale by Body & Brain franchisees. (Section 6.6)

4. Hold periodic national conferences to discuss business and operational issues affecting Body & Brain franchisees, including industry changes, new services and/or merchandise,

marketing strategies and the like. (Section 5.5)

5. Create a franchise advisory council. See Section below entitled "Advisory Council" for additional information. (Section 11)

6. Suggest or establish pricing or discount rates for certain Body & Brain products and services. (Section 9.3 & 9.5)

**Training Program** (Section 5 and Training Agreement)

We will provide an initial training program of approximately 30 hours over 5 to 9 days. We anticipate most franchisees will send between 1 and 2 people to training. All of your Owners and managers must successfully complete the initial training program to our satisfaction. We expect that most franchisees will not have multiple owners and will not hire managers at the initial phase of development. You are not required to attend or complete training within any minimum period of time after signing the Franchise Agreement or prior to opening. However, you cannot open your Center until you have successfully completed training by attending all hours of classroom training in every required subject (you must open your Center within 2 years after signing the Franchise Agreement, unless we grant you an extension of up to 2 additional years).

The initial training program will take place at a retreat in Sedona, Arizona (currently Sedona Mago Retreat Center) or Ellenville, New York (currently Honor's Haven Retreat & Conference) or another training location we select at our discretion or in an online format. Currently, we intend to offer the initial training program at least 4 times per year.

*Training Topics*

The initial training program consists of the following:

| TRAINING PROGRAM | | | |
|---|---|---|---|
| **SUBJECT** | **HOURS OF CLASSROOM TRAINING** | **HOURS ON THE JOB TRAINING** | **LOCATION** |
| Orientation / Reflection/ Sharing | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Background of the Franchisor | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Center Management | 1.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Monthly Plan / Goal | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |

| TRAINING PROGRAM | | | |
|---|---|---|---|
| **SUBJECT** | **HOURS OF CLASSROOM TRAINING** | **HOURS ON THE JOB TRAINING** | **LOCATION** |
| Marketing | 1.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Accounting | 1.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Center Opening | 2 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Solar Body | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Merchandise Intro | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Intro Session | 4 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Regular Class | 6 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Open Workshop | 1.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Private Session | 1.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Aura Reading | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Consultation | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |

| TRAINING PROGRAM | | | |
|---|---|---|---|
| **SUBJECT** | **HOURS OF CLASSROOM TRAINING** | **HOURS ON THE JOB TRAINING** | **LOCATION** |
| Member Care | 2 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Self Management | 1 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Graduation Ceremony | 0.5 | 0 | In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format |
| Total | 30 | | |

*Training Materials*

The training materials include the Manual, Merchandise Book and lectures. You will not be charged an additional fee for any of the training materials.

*Instructors*

Jeong Hee Jeon is in charge of our training program. Our other instructors include Eun Jeong Lee.

Jeong Hee Jeon has been employed by us since January 2024. Ms. Jeon was appointed to our Board of Managers in February of 2024 and has served as our President since February of 2024. From January 2019 to October 2023, Ms. Jeon served as the Director/Administrator for Tenerife Healing Garden, SL in Santa Cruz, Spain. Ms. Jeon has more than 5 years of experience in the field.

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018. Ms. Lee has more than 5 years of experience in the field.

*Training Agreement*

If you choose to attend the initial training program prior to signing the Franchise Agreement, you must sign the Training Agreement, the form of which is attached to this Disclosure Document as EXHIBIT "D". In that case, you must pay us the $10,000 initial training fee when you sign the Training Agreement (prior to training).

*Supplemental Training Programs*

As further discussed in Item 5, each Owner is also required to attend the Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training provided by BBYHC. The Self-Enrichment Workshop is held from time to time in numerous cities across the country. Usually, the training facility is located near a Body & Brain Center. The Qualified Instructor Training usually takes place in Arizona or New York. Leadership Training takes place in Arizona or New York. You must complete these training

programs before you apply for the franchise.

*Ongoing Training*

To maintain the uniformity and high standard of goods and services provided by Body & Brain franchisees or to modify these goods or services, we may, but need not, offer periodic additional training programs for franchisees. Attendance at these training programs is optional. You may also request that we provide optional additional training. We are not required to provide this training, but may do so in our discretion.

*Training Fees and Costs*

You must pay us a $10,000 training fee for each owner and manager that attends our initial training program. We do not expect franchisees to have more than 1 owner or hire managers at the initial phase of development. Any person who fails initial training must retake training and you must pay us a retraining fee of $400 for each instance the person retakes training. You must pay our parent company $150 to $400 for the Self-Enrichment Workshop, $2,800 to $3,900 for the Qualified Instructor Training and $7,500 to $9,400 for Leadership Training.

You must pay all food, lodging and travel costs that you incur while attending training programs. We may charge you an Additional Training Fee of up to $150 per hour for: (i) any optional ongoing training programs you choose to attend; and (ii) any special training that you request and we agree to provide. If we travel to you to provide the requested training, you must reimburse us for our food, lodging and travel costs.

**Manual** (Section 6.1 & 10.2)

We will lend you our Manual in text or electronic form for the term of your Franchise Agreement. The Manual may include, among other things, (i) a description of the authorized goods and services that you may offer; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Body & Brain franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your Center; and (v) a written list of goods and services (or specifications for goods and services) you must purchase for the construction of your Center and the development and operation of your Business and a list of any designated or approved suppliers for these goods or services. All mandatory provisions contained in the Manual are binding upon you. The Manual is confidential and remains our property. We may modify the Manual upon 30 day's prior notice, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement. The Manual contains a total of 281 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "H".

**Site Development** (Section 7 & 10.6)

You must purchase or lease the premises from which you will operate your Business. A Body & Brain Center typically ranges in size from 600 to 1,500 square feet. Your Center must have one or more training rooms and a lobby of at least 100 square feet. Before opening your Business, we must approve the location, build-out and design of your Center. In reviewing a proposed location, we will consider factors including parking, size, traffic patterns, general location, existence and location of competitive businesses (including Dahn Yoga Centers), lease terms, demographics and general character of the neighborhood and various economic indicators. Your Center may not be located in a residence. Usually, we will approve or reject your proposed location within 10 business days after you submit to us all information regarding the location that we require (including address, pictures of the facility and neighborhood, square footage, description of the neighborhood and demographics, estimated rent, and anything else we require), although we reserve the right to take a longer period of time based on the circumstances.

We also must approve the terms of your lease before you sign it. You must use your best efforts to cause your landlord to sign the Lease Addendum that is attached to the Franchise Agreement as Attachment "C". We will approve or reject the lease within 10 business days after we receive it (together with the Lease Addendum agreed to by your landlord). The scope of our review is limited to ensuring that the lease includes certain provisions that are designed for our protection (particularly the provisions included in the Lease Rider). We do not review the substantive terms, quality or merits of your lease. If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Center.

You must secure an approved location before you open your Business (your Business must be opened no later than 2 years after signing the Franchise Agreement, unless we grant you an extension of up to 2 additional years). Your failure to secure an approved location within the required time period constitutes an event of default under the Franchise Agreement.

After you purchase or lease your approved site, you must construct and equip the premises to the specifications contained in the Manual. You must also install the equipment, fixtures, signs and other items that we require. Before you open, we must approve the build-out and layout of your Center. You must remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. There are no limitations on the cost or frequency of these remodeling obligations. You may not remodel or significantly alter your premises without our prior approval.

**Advertising Fund** (Sections 9.1)

We have established and administer an advertising fund. We administer a single advertising fund for Body & Brain home-based franchisees and Body & Brain Center franchisees. The advertising fund will be used for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or appropriate. Currently, we intend to use the advertising fund to further develop the publicly accessible Body & Brain website to promote the brand and Body & Brain Centers and Body & Brain home-based franchises. The advertising fund may also be used to pay for the creation of marketing materials that our franchisees may use for local marketing purposes.

Advertising fund fees will be kept in a separate account and revenues received will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the advertising fund and its local, regional or national advertising programs (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, Internet, newspaper, digital advertising and other media programs and activities and employing advertising agencies to assist therewith, collecting and accounting for contributions to the advertising fund, and paying for the preparation and distribution of marketing materials and financial accountings of the advertising fund). None of the advertising fund fees will be used for advertisements principally directed at selling additional franchises. All funds deposited into the advertising fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of funds in the advertising fund may be invested and we may lend money to the advertising fund if there is a deficit. During the fiscal year ended December 31, 2024, we spent the advertising fund fees in the following manner: 0% for production; 14% for media placement; 0% for administrative expenses; and 86% for other purposes.

You must pay us an advertising fund fee equal to 0.5% of your Program Sales (defined in Item 6). We will deposit into the advertising fund all: (i) advertising fund fees paid by you and other franchisees (unless we allocate the fees to an advertising cooperative); (ii) fines paid by you and other franchisees; and (iii) rebates

or other payments we receive from suppliers based on franchisee purchases. Any company-owned Body & Brain Center or Body & Brain home-based business will contribute to the advertising fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the advertising fund, any company-owned Body & Brain Center or Body & Brain home-based business that is established or acquired after the modification may contribute to the advertising fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

Our administration of the advertising fund is intended to maximize general public recognition and patronage of the Body & Brain System for the benefit of us and all Body & Brain franchisees and we will use our best efforts to apportion advertising to obtain the greatest benefit for all franchisees. We will direct and have complete control and discretion over all advertising programs, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs. We anticipate that the advertising will primarily consist of Internet ads and brochures. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the advertising fund. The advertising fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the advertising fund. An unaudited financial accounting of the operations of the advertising fund will be prepared annually and made available to you upon request.

**Local Advertising** (Section 9.3 & 9.5)

We do not require that you spend any minimum amount on local advertising. We will provide you with standardized marketing plans and advertising, promotional and marketing materials. Alternatively, we may enter into relationships with approved or designated suppliers who will create advertising or marketing materials that must be purchased and utilized by Body & Brain franchisees. You will also have an opportunity to create advertising for your own use, provided we approve it in advance. You may not use any advertising materials that have not been approved by us. You must submit to us any advertising materials prepared by you and we will have 5 business days to review and either approve or reject the materials. If we fail to respond within the 5 day period, the materials are deemed approved. We may later disapprove of materials that we previously approved.

We have implemented an online payment program. Under the program, existing, new, or potential customers can purchase and pay for Introductory Class sessions (introductory one-on-one sessions), Trial Class sessions (introductory group class), Group Classes, and Private Classes at franchisees' centers through our website or a third-party website. By participating, you agree that: (i) we will list your Center on our website or a third-party website as a Body and Brain Center that is participating in the Online Payment Program; (ii) we will allow existing, new, or potential customers of your Center to purchase Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes through our website or a third-party website by electronic payment; and (iii) we may offer a discount for online payment, provided that the minimum required payment will be equal to or exceed 50% of our then-current suggested retail pricing for Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes, as applicable. Online payment proceeds paid to you by customers through the Online Payment Program must be included in your reporting of Program Sales. All online payment proceeds collected by us pertaining to your Center will be paid to you.

You are not allowed to develop or maintain your own website. We will list your information on our website. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance. You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop.

You agree to participate in all coupon deals that we specify, such as Groupon. You agree that we may enter

into agreements with these companies on behalf of you and other franchisees and we have the right to collect the funds generated through the program and distribute them to franchisees based on where the services are redeemed. You also agree to participate in all discount and referral programs that we specify, such as Beneplace. In these arrangements, a third party refers potential customers to franchisees and the customers receive a discounted rate. Under these programs, you may be required to pay commissions to the party referring the customers to you and you must honor the discounted rate that we negotiate.

All proceeds from coupon deals or discount and referral programs will either be credited towards your obligation to pay royalty fees or we may send you a check. To the extent these proceeds for a given month exceed your required royalty fee for that month, the excess amount will be carried forward and applied against your required royalty fee in the subsequent month. If your Franchise Agreement expires and, as of the expiration date, the amount of the proceeds exceeds the total credits you have received for your required royalty fees, the excess amounts will be refunded to you within 30 days after the expiration of the Franchise Agreement. We will notify you of all coupon or discount and referral transactions pertaining to your Business in a timely manner.

**Advertising Cooperatives** (Section 9.4)

We may, but need not, form one or more advertising cooperatives for the benefit of all Body & Brain Centers located within a particular region. If your Center is located within a region subject to an advertising cooperative, you must pay the cooperative advertising fee, which will not exceed 0.5% of Program Sales. We have the right to allocate any portion of the advertising fund fees to an advertising cooperative. We also have the right to determine the composition of all geographic territories and market areas for the implementation of each advertising cooperative. Generally, the boundaries of an advertising cooperative will coincide with a city's metropolitan area.

If we implement an advertising cooperative in a particular region, we have the right to establish an advertising council to self-administer the cooperative or we can administer the cooperative ourselves. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. Advertising cooperatives are not required to operate from written governing documents. Advertising cooperatives will prepare annual or periodic financial statements. These financial statements will be made available to franchisees within the advertising cooperative upon request. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion.

**Advisory Council** (Section 11)

We may create an Advisory Council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions from the advisory council in good faith, but we would not be bound by any such suggestions. The Advisory Council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the Advisory Council to communicate with us on matters raised by the Advisory Council. You would have the right to be a member of the Advisory Council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counterproductive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the Advisory Council. Any Body & Brain Center operated by us or our affiliates would also be a member of the Advisory Council. Each member would be granted one vote for each center that it owned and operated on all matters on which members would be authorized to vote. We would reserve the power to form, change or dissolve the Advisory Council in our discretion.

**Computer System** (Section 7.3, 10.5 & 10.7)

You must purchase a computer system that meets our standards and specifications. Your computer system must include a computer with the most current version of MS Windows XP, Vista, 7, 8 or 10, Microsoft Office Suite (which must include Excel, Word and PowerPoint), high speed internet connection, printer/copy machine and webcam. Your computer system may also include an optional usb magnetic/barcode reader and thermal receipt printer. You must also purchase a web-based point of sale system and use the software that we specify (currently the web-based operations software, BRMNet). Your computer system will be used for accounting, tracking sales and managing and storing information about your members. We will have independent access to the data entered into BRMNet, although we will not have independent access to any other information generated or stored on your computer system.

We estimate that the cost of your Computer System will range from $1,100 to $2,700. You must maintain the computer system and other equipment in good working order at your cost. During the term of your franchise, you may be required to change, upgrade or update your computer system to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these changes, updates or upgrades.

You must pay our parent, BBYHC, a monthly fee of $40 per month ($480 per year) for use of BRMNet. In exchange for this fee, BBYHC will provide all ongoing maintenance, support, upgrades and updates for the associated software. Most new computers come with a limited warranty where the manufacturer is obligated to provide certain ongoing services, such as support and repairs, for a limited period of time. Except as otherwise disclosed above: (i) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (ii) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

If we develop any proprietary software (or we license software from a licensor and then sublicense the software to you), you must enter into a software license agreement with us that will govern the terms according to which you may use the software. If we do so, we may require that you pay us commercially reasonable initial and ongoing license fees.

**Opening Requirements** (Section 7.4)

You may not begin operating your Business until we have provided our written acknowledgment that your Center is properly equipped, at least 1 Owner has successfully completed the initial training program to our satisfaction and you have complied with your other pre-opening obligations (including purchasing insurance and obtaining any required licensing). We anticipate that a typical Body & Brain Center franchisee will open his or her Body & Brain Center within 7 months after signing the Training Agreement. Some of the factors that may affect this time are identification of a suitable location, financing, obtaining building permits, the extent to which an existing location must be upgraded or remodeled, delayed installation of equipment and fixtures, completion of the initial training, obtaining insurance, and complying with local laws and regulations. Unless we agree to the contrary, your Business must be opened within 2 years after you sign the Franchise Agreement. We may, but need not, grant you an additional extension period, which will not exceed an additional 2-year period. Your failure to open within the 2-year period (or any approved extension period) constitutes an event of default under your Franchise Agreement.

## ITEM 12 TERRITORY

**Location of Your Center**

Each Franchise Agreement grants you the right to operate a single Body & Brain Center at a single location that must be approved by us in advance. You will be required to identify a location for your Center within

the Site Selection Area described in Attachment "B" to your Franchise Agreement.

You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (i) locate your new Center within the Site Selection Area described in Attachment "B" to your Franchise Agreement; (ii) comply with all of our then current site selection and development requirements; and (iii) open your new Center and resume operations within 180 days after closing your prior Center.

**Your Territory**

Once you have identified a site that we have approved, you will receive a protected territory that will be identified in Attachment "B". The size of your protected territory will depend on demographics and other characteristics including population density (from a report generated utilizing the NASA-SEDAC Population Estimation Service, available at https://www.randymajors.org/customgmap), average income, and other characteristics of the surrounding area, natural boundaries, the extent of competition and the amount and size of urban, suburban and rural areas. Your protected territory will include a minimum population of 70,000. Your protected territory will be marked on a map and defined by streets. By protected, we mean that we will not operate or authorize a third party to operate a Body & Brain Center using our Marks or a Dahn Yoga Center that is physically located within your territory during the term of your Franchise Agreement (subject to the limitations described below under "Limitations on your Territorial Rights"). Although you do receive these protections, your territory is not exclusive.

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.

Other Body & Brain franchisees may advertise within your territory, although their advertising must be primarily directed towards customers within their territory. Likewise, you may advertise within the territories of other Body & Brain Center franchisees, although your advertising must be primarily directed towards customers within your territory.

**Limitations on Your Territorial Rights**

We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through alternative channels of distribution. An alternative channel of distribution means any channel of distribution other than retail sales made to customers while physically present in a Body & Brain Center. Examples of alternative channels of distribution include: (i) sales over the Internet or through sales catalogs; (ii) sales through stores selling health or healing products (other than Body & Brain Centers operating under the Marks or Dahn Yoga Centers); and (iii) on-site sales to groups at a business (i.e., worksite classes) or customers at their homes. Body & Brain home-based franchisees market and sell through alternative channels of distribution. Therefore, they may operate within your territory. Sales through alternative channels of distribution are excluded from your territorial rights. This means that we may sell or license a third party to sell competitive or identical goods or services through alternative channels of distribution (whether under the Marks or different trademarks) anywhere within your territory. You are not entitled to any compensation for sales that take place through alternative channels of distribution.

We reserve the right to operate Body & Brain Centers, or license others to operate Body & Brain Centers, in Captive Venues. A "Captive Venue" means a non-traditional outlet for the sale of Body & Brain products or services that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose other than purchasing the Body & Brain products or services. Examples of Captive Venues include outlets for Body & Brain products or services that are located in hotels, college campuses or

universities, airports, train stations or within other similar types of establishments. Captive Venues are excluded from your protected territorial rights. This means that we may operate or license a third party to operate a Body & Brain Center in a Captive Venue located anywhere within your territory. You are not entitled to any compensation for sales that take place from Captive Venues within your territory.

**Restrictions on Your Sales and Marketing Activities**

You cannot develop or maintain your own website. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance. You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop. You can market and sell through any other channel of distribution (other than through a website). You cannot solicit, or sell products or services to, any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer. There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory.

**Minimum Performance Requirements**

Your territorial protections do not depend on achieving a certain sales volume, market penetration, or other contingency.

**Additional Territories**

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

**Competitive Businesses Under Different Marks**

We also offer franchises for Body & Brain home-based franchises. Body & Brain home-based franchises operate under the same Marks and offer similar services. However, they are not permitted to offer special trainings that Body & Brain Center franchisees may offer. In addition, Body & Brain home-based franchisees cannot operate from a dedicated retail location but must provide "on-site" services at the customers' locations or operate from temporary space. Body & Brain home-based franchises may solicit and sell to customers located in your territory. We do not anticipate any conflicts between Body & Brain home-based franchisees and Body & Brain Center franchisees regarding franchise support or territories. However, Body & Brain home-based franchisees may not solicit or sell to members of a Body & Brain Center or members of another Body & Brain home-based franchisee. Similarly, Body & Brain Center franchisees may not divert customers from other franchisees, including Body & Brain home-based franchisees. We would mediate any dispute in order to promote the best interests of the customers and the Body & Brain brand as a whole.

We, along with our parent company and affiliates, currently operate approximately 50 Body & Brain Centers in the United States (1 operated by us, 46 operated by BBYHC, and 3 operated by CGI, Inc., which is a subsidiary of Brain Training Center). BBYHC's principal business address is 1234 S. Power Road, Suite 250, Mesa, Arizona 85206. CGI, Inc.'s principal business address is 111 Homans Ave., Closter, New Jersey 07624. None of the Dahn Yoga Centers are franchises. In the past, Dahn Yoga Centers have not operated under the Body & Brain Center Mark. Instead, they have operated under the mark "Dahn Yoga Center." However, in 2015 all Dahn Yoga Centers operated by our parent company and affiliates rebranded to Body & Brain Centers. Dahn Yoga Centers sell goods and services that are similar or identical to the goods and services sold by Body & Brain franchisees, including physical exercise and meditation training. They also offer products and services that are different from, but complementary to, the products and

services offered by Body & Brain Centers.

**Membership Program**

You are to participate in any membership program that we require from time to time. The membership program may include membership privileges for both Dahn Yoga and Body & Brain Centers. You must accept members at your Center according to the terms of the membership program (currently, if a member of another franchised or company-owned Body & Brain Center desires to switch the member's membership to your Center, you must accept the member at your Center). You agree to abide by all rules of the membership program that we specify in the Manual from time to time.

We previously offered a "Platinum Membership" program for Body & Brain Center customers that allowed customers to receive certain benefits and price discounts at all participating franchised locations. Membership also allowed the customer to attend classes at any Body & Brain Center and any Dahn Yoga Center they chose. Dahn Yoga previously offered a "Gold Membership" program that provided similar reciprocal benefits. Under the Platinum Membership and Gold Membership programs, the member paid the Body & Brain Center franchisee or Dahn Yoga Center (as applicable) an initial fee that covered the cost of their training for 1 year. After the initial 1-year period, the member could continue the membership by paying a $10 monthly fee until the member decides to cancel the membership. If a member is primarily training at a center other than the center where they initially purchased the membership, the new center may be entitled to the ongoing monthly fees (together with any remaining balance of the initial membership fee) rather than the center where the customer originally purchased the membership. Although we no longer offer new Platinum or Gold memberships, you are required to participate in the Platinum or Gold membership program and comply with the program rules and procedures that we prescribe from time to time with respect to any customer who maintains his or her Gold Membership or Platinum Membership status.

## ITEM 13 TRADEMARKS

BR Consulting, Inc. ("BR Consulting") is a New Jersey corporation that owns the Marks that we will sublicense to you. BR Consulting, registered the following trademarks on the United States Patent and Trademark Office ("USPTO"):

| REGISTERED MARK | | |
|---|---|---|
| MARK | REGISTRATION NUMBER | REGISTRATION DATE (RENEWAL DATE) |
| body+brain | 3,848,216 | September 14, 2010 |
| BODY&BRAIN | 4,889,669 | January 19, 2016 |

The Marks listed above are registered on the Principal Register. All required affidavits for the registered Marks have been filed.

In addition to the primary Marks listed above, you will also be granted a limited license to use DAHN YOGA for purposes of advertising that your Center offers Dahn Yoga classes. The DAHN YOGA mark was registered on the Principal Register at the USPTO on September 12, 2006 under the registration number 3,141,495. BR Consulting is also the owner of the DAHN YOGA mark.

On February 1, 2016, we entered into a Second Amended and Restated License Agreement (the "License Agreement") with BR Consulting. Under the terms of the License Agreement, BR Consulting granted us the right to use the Marks in the Body & Brain System and to sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms or unless either party provides notice that it does not intend to renew. BR Consulting is permitted to terminate the Trademark License Agreement only if we declare bankruptcy or become insolvent or if we commit a default under the License Agreement and fail to cure within the required period of time. We are obligated to pay a portion of all initial franchise fees and royalty fees that we receive to BR Consulting. If the License Agreement is terminated, the agreement states that all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. We and BR Consulting may amend the License Agreement at any time. Except for the License Agreement, no agreements limit our right to use or sublicense the use of the Marks.

We grant you the right to operate a franchise under the name "Body & Brain" shown on the cover page of this Disclosure Document and identify yourself as a Body & Brain franchisee. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Business or the products or services that you sell. We may change the trademarks you must use from time to time (including by discontinuing use of the Marks listed in this Item 13) and you must comply with any such change at your expense.

You must follow our rules when using the Marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Body & Brain name in the sale of any product or service that is not previously authorized by us in writing.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted. We may require your assistance, but you are not permitted to control any proceeding or litigation involving our Marks. You must modify or discontinue the use of any Mark licensed to you if we are required to modify or discontinue use of the Mark as a result of litigation. If this happens, we will reimburse you for your tangible costs of compliance (e.g., changing brochures, business cards, etc.). You must not directly or indirectly contest our or BR Consulting's right to the Marks. Except as disclosed above, we are not required under the Franchise Agreement to: (i) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (ii) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no other pending infringements, oppositions or cancellations; and no other pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

## ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. Although we have not filed any applications for copyright registration, we do claim common law copyright to the Manual, our website and all marketing materials that we prepare. During the term of your Franchise Agreement, we will allow you to use our

proprietary information relating to the development, construction, marketing and operation of a Body & Brain Center, including operating methods, specifications, techniques, procedures, marketing strategies and information comprising the System and the Manual.

You are required to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the Manual. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

We will own all data pertaining to the services offered by you under your Business. We will also own all customer files, accounts and contracts, all of which must be assigned to us (upon our request) following the expiration, termination or transfer of your Franchise Agreement. In addition, if one of your members switches their membership or customer agreement to another Body & Brain franchisee or company-owned business, we may transfer the account and all data pertaining to that member to the Body & Brain franchisee or company-owned business to which the membership or customer agreement was transferred.

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

All Owners of the franchise must be directly involved in and supervise your Business. All of the Owners must successfully complete the initial training program. Any Owner that fails training on his or her third attempt must sell his or her interest in the franchise. The Owner(s) will be actively involved in the day-to-day management and operation of your Business. By signing the Franchise Agreement, each Owner agrees to be bound by all of its terms.

If you purchase more than 1 franchise, you must have at least 1 Owner or manager who manages each franchise. An Owner or manager cannot manage more than 1 franchise. If you purchase more franchises than you have Owners, we may require that you hire a person to assume responsibility for the daily supervision and operation of one of your franchised businesses. We may also allow you to hire a manager to assist the Owner with the operation of the Center as long as the Owner remains actively involved (we do not allow passive owners). Each manager must: (i) be approved by us (we have the right to require that the manager visit our headquarters for an interview); (ii) successfully complete the initial training program (and you pay us the initial training fee); and (iii) sign a Brand Protection Agreement. We do not require that the manager own any equity interest in franchisee if the franchisee is an entity.

## ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products and services that you sell must be approved by us in advance. You must offer all services that we specify, but you are not required to offer inventory for resale. You may not sell any products or services that we have disapproved. We have the unrestricted right to change the products and/or services that you may sell. You may not sell to any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer. To the extent permitted by law, we may establish maximum or minimum pricing for certain Body & Brain products and services.

## 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.**

In the table below, the "Franchise Agreement" sections are referred to as "FA" and the "Software Service Agreement" sections are referred to as "SSA".

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| **PROVISION** | **SECTIONS IN AGREEMENT** | **SUMMARY** |
| a. Length of the franchise term | Section 4.1 | Term is equal to 5 years. |
| | SSA: Section 1.1 | Term is 1 month and automatically continues for 1 month periods until either party terminates. |
| b. Renewal or extension of the term | Section 4.1 & 4.2 | If you are in good standing, you can enter into successor franchise agreements. You can choose either 3 or 5 year renewal terms (your maximum total term is 15 years regardless of whether you choose 3 or 5 year renewal terms). |
| | SSA: Section 1.1 | The term automatically renews on a month-to-month basis until either party terminates. |
| c. Requirements for you to renew or extend | Section 4.2 | You must: not be in default; give us timely notice; sign our then current form of franchise agreement and related documents; sign a general release; pay the renewal fee (which is the same regardless of whether you select a 3 or 5 year renewal term); and remodel or upgrade your Center to comply with our then-current standards and specifications.<br>If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract. |
| | Not Applicable | The contract imposes no requirements in order to renew. |
| d. Termination by you | Section 20.1 | You can terminate at any time prior to attending the initial training program by providing written notice. You may also terminate if we fail to cure a material default or if you and we mutually agree to terminate. |
| | SSA: Section 1.2 | You can terminate only if BBYHC fails to cure a default or if you and BBYHC mutually agree to terminate. Either party can terminate upon 30 days' notice but you are required by the Franchise Agreement to use the BRMNet software. |
| e. Termination by us without cause | Section 20.4 | We may not terminate without cause unless you and we mutually agree to terminate. |
| | SSA: Section 1.1 & 1.2 | BBYHC may terminate upon 30 days' prior notice. It may also terminate upon 10 days notice if you fail to cure a default. |
| f. Termination by us with cause | Section 20.2 & 20.3 | We can terminate only if you default. |
| | SSA: Section 1.1 | BBYHC may terminate upon 30 days' prior notice without cause. |
| g. "Cause" defined - curable defaults | Section 20.3 | You have 30 days to cure any default other than defaults described below under "non-curable defaults." |
| | SSA: Section 1.2 | All defaults have a 10 day cure period. |

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| **PROVISION** | **SECTIONS IN AGREEMENT** | **SUMMARY** |
| h. "Cause" defined - non-curable defaults | Section 20.2 | The following defaults cannot be cured: failure to open in required time; insolvency, bankruptcy or seizure of assets; abandonment of franchise; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; failure to pay us or affiliate within 5 days after demand; 2nd underreporting of any amount due by at least 3%; unauthorized transfers; unauthorized use of our intellectual property; violation of a brand protection covenant; termination of your lease due to your default; termination of any other agreement between you and us or an affiliate due to your default. |
| | SSA: Not Applicable | No defaults are listed as non-curable under the SSA. |
| i. Your obligations on termination/non-renewal | Section 21 | Obligations include complete deidentification, return of Manuals and all branded materials, assignment of telephone numbers, listings and domain names, assignment of member agreements and customer data to us, cancellation of fictitious names, and payment of amounts due (also see "r", below). To protect the goodwill associated with our Marks, you must also follow all policies we specify for a period of up to 1 year after the termination / expiration date to address customer related issues, including transfer of memberships or customer agreements and issuance of refunds (you would be responsible for any refunds). You must also comply with the commission refund requirement under Section 3 of the Referral Agreement, including after termination or expiration of that agreement. (See the California Addendum attached to this Disclosure Document as EXHIBIT "I"). |
| | SSA: Not Applicable | No obligations specified. |
| j. Assignment of contract by us | Section 19.1 | No restriction on our right to assign. |
| | SSA: 10.3 | SSA does not restrict ability of BBYHC to assign. |
| k. "Transfer" by you – definition | Section 19.2 | Includes transfer of contract or assets, or ownership change. |
| | SSA: Section 10.3 | Includes assignment of rights, delegation of duties, hypothecation, transfer, mortgage, sublet, license or encumbrance of rights, duties or other interests in SSA. |
| l. Our approval of transfer by you | Section 19.2 & 19.3 | If certain conditions are met, you may transfer to a newly-formed entity owned exclusively by the Owners. We have the right to approve all other transfers (including the addition of new owners) but will not unreasonably withhold approval. |
| | SSA: Section 10.3 | BBYHC must approve transfer in writing. |

| THE FRANCHISE RELATIONSHIP | | | |
|---|---|---|---|
| | **PROVISION** | **SECTIONS IN AGREEMENT** | **SUMMARY** |
| m. | Conditions for our approval of transfer | Section 19.2 | Transferee must meet our qualifications, successfully complete the initial training program (and pay initial training fee), obtain all required licenses and permits, and sign a new franchise agreement for the remainder of the term. You must be compliant with your Franchise Agreement, assign your lease if applicable, pay us the transfer fee and sign a general release and subordination agreement. We must notify you that we do not intend to exercise our right of first refusal. |
| | | SSA: Section 10.3 | Must obtain BBYHC's approval in writing. |
| n. | Our right of first refusal to acquire your business | Section 19.5 | We have the right to match any bona fide, arms-length offer for your business. |
| | | SSA: Not Applicable | Not Applicable |
| o. | Our option to purchase your business | Section 21.2 | We have the option to purchase your Business or certain of your assets on the expiration or termination of the Franchise Agreement. |
| | | SSA: Not Applicable | Not Applicable |
| p. | Your death or disability | Section 19.4 | Within 6 months, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers. |
| | | SSA: Not Applicable | Not Applicable |
| q. | Non-competition covenants during the term of the franchise | Section 14.2 & 14.3 | No involvement in competing business; comply with non-solicitation and non-disclosure covenants. |
| | | SSA: Section 4.4 | May not reverse engineer, decompile, reproduce, publish, sell, sublicense, transfer, rent or distribute the software. |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 14.4<br>[See also Section 5 of Training Agreement] | No involvement for 2 years in competing business within 15 miles of any Body & Brain Center or Dahn Yoga Center; comply with non-solicitation and non-disclosure covenants; cease use of know-how and trade secrets.<br>If you sign a Training Agreement but do not sign a Franchise Agreement, you will be subject to similar obligations under Section 5 of the Training Agreement. (See the California Addendum attached to this Disclosure Document as EXHIBIT "I"). |
| | | SSA: Section 4.4 | May not reverse engineer, decompile, reproduce, publish, sell, sublicense, transfer, rent or distribute the software. |
| s. | Modification of the agreement | Section 24.8 | Requires writing signed by both parties. Other modifications primarily to comply with various states laws. |
| | | SSA: Section 10.7 | Requires writing signed by both parties. Other modifications primarily to comply with various states laws. |
| t. | Integration/merger clause | Section 24.8 | Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. |

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| **PROVISION** | **SECTIONS IN AGREEMENT** | **SUMMARY** |
| | SSA: Section 10.7 | Only the terms of the SSA and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and SSA may not be enforceable. Nothing in the SSA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Section 22 | Except for certain claims, all disputes must be arbitrated or mediated (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |
| | SSA: Section 9.1 | All disputes must be mediated and then arbitrated (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |
| v. Choice of forum | Section 22 | Arizona (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |
| | SSA: Section 9 | Arizona (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |
| w. Choice of law | Section 24.1 | Arizona law (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |
| | SSA: Section 10.4 | Arizona law (except as otherwise disclosed in EXHIBIT "I" to this Disclosure Document). |

* California law requires additional disclosures related to the information contained in this Item 17. These additional disclosures appear in EXHIBIT "I" to this Disclosure Document.

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make these 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 Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting our franchisee support at 1234 S. Power Road, Suite 250, Mesa, Arizona 85206 or by phone at (480) 550-8644.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

| TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2022 TO 2024 | | | | |
|---|---|---|---|---|
| **Outlet Type** | **Year** | **Outlets at the Start of the Year** | **Outlets at the End of the Year** | **Net Change** |
| Franchised | 2022 | 26 | 23 | -3 |
| | 2023 | 23 | 21 | -2 |
| | 2024 | 21 | 21 | 0 |
| Company-Owned | 2022 | 59 | 57 | -2 |
| | 2023 | 57 | 54 | -3 |
| | 2024 | 54 | 50 | -4 |
| Total Outlets | 2022 | 85 | 80 | -5 |
| | 2023 | 80 | 75 | -5 |
| | 2024 | 75 | 71 | -4 |

| TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2022 TO 2024 | | |
|---|---|---|
| **State** | **Year** | **Number of Transfers** |
| Illinois | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |
| Total | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |

| TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2022 TO 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Termin-ations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations - Other Reasons** | **Outlets at End of Year** |
| California | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Colorado | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Illinois | 2022 | 4 | 0 | 0 | 0 | 0 | 1 | 3 |
| | 2023 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Maryland | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Minnesota | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2022 TO 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Termin-ations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations - Other Reasons** | **Outlets at End of Year** |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Jersey | 2022 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2022 | 5 | 0 | 0 | 0 | 0 | 1 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 1 | 0 | 0 | 3 |
| North Carolina | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Oregon | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Texas | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Virginia | 2022 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Washington | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2022 | 26 | 1 | 0 | 0 | 0 | 4 | 23 |
| | 2023 | 23 | 1 | 0 | 1 | 0 | 2 | 21 |
| | 2024 | 21 | 1 | 0 | 1 | 0 | 0 | 21 |

| TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisee** | **Outlets Closed** | **Outlets Sold to Franchisee** | **Outlets at End of Year** |
| | 2022 | 3 | 1 | 0 | 0 | 0 | 4 |
| Arizona | 2023 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 9 | 0 | 0 | 0 | 0 | 9 |
| California | 2023 | 9 | 0 | 0 | 0 | 0 | 9 |
| | 2024 | 9 | 0 | 0 | 0 | 1 | 8 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| Colorado | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| Georgia | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 3 |
| Hawaii | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |

| TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisee** | **Outlets Closed** | **Outlets Sold to Franchisee** | **Outlets at End of Year** |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 1 | 0 | 2 |
| Illinois | 2022 | 6 | 0 | 0 | 1 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 1 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 1 | 0 | 3 |
| Maryland | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| Massachusetts | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 1 | 0 | 2 |
| New Mexico | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 2 |
| Nevada | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 3 |
| New Jersey | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 1 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| New York | 2022 | 10 | 0 | 0 | 0 | 0 | 10 |
| | 2023 | 10 | 0 | 0 | 1 | 0 | 9 |
| | 2024 | 9 | 0 | 0 | 0 | 0 | 9 |
| Oregon | 2022 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas | 2022 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 5 |
| Virginia | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| Washington | 2022 | 4 | 0 | 0 | 1 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 3 |
| Total | 2022 | 59 | 1 | 0 | 3 | 0 | 57 |
| | 2023 | 57 | 0 | 0 | 3 | 0 | 54 |
| | 2024 | 54 | 0 | 0 | 3 | 1 | 50 |

| TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2024 | | | |
|---|---|---|---|
| **State** | **Franchise Agreements Signed But Outlet Not Opened** | **Projected New Franchised Outlets in the Next Fiscal Year** | **Projected New Company-Owned Outlets in the Next Fiscal Year** |
| Washington | 0 | 1 | 0 |
| Total | 0 | 1 | 0 |

Notes:

1. Our fiscal year ends on December 31. All references to years in these Tables refer to December 31 of that year. The outlets listed in Tables 1 through 4 only refer to outlets that are open on the relevant date.

2. The transfers listed in Table 2 only refer to outlets that were transferred after opening. No franchisees transferred their franchise agreements for unopened outlets in 2022, 2023 or 2024.

3. The transactions listed in Table 3 only refer to franchisees that left the system after opening their outlets. No franchisees left the system prior to opening in 2022, 2023 or 2024.

4. The outlets listed in the 2nd column in Table 5 ("Franchise Agreements Signed But Outlet Not Opened") include all franchise agreements that were signed for unopened centers as of December 31, 2024. The outlets listed in the 3rd column in Table 5 ("Projected New Franchised Outlets in the Next Fiscal Year") include all outlets that we expect to open during the current fiscal year, including any outlets listed in the 2nd column that we expect to open this fiscal year.

A list of all current Body & Brain Center franchisees is attached to this Disclosure Document as EXHIBIT "J" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2024. In addition, EXHIBIT "J" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have signed confidentiality clauses with some current and former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. There are no: (i) trademark-specific franchisee organization associated with the franchise system offered that we have created, sponsored or endorsed; or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

## ITEM 21 FINANCIAL STATEMENTS

Audited financial statements of Body and Brain Center, LLC for the years ended December 31, 2024, December 31, 2023 and December 31, 2022 are attached to this Disclosure Document as EXHIBIT "K".

## ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Training Agreement
EXHIBIT "E" General Release
EXHIBIT "F" Referral Agreement

EXHIBIT "G" Software Service Agreement

Attachments to Franchise Agreement

| | |
|---|---|
| Attachment "C" | Lease Addendum |
| Attachment "D" | ACH Authorization Form |
| Attachment "E" | Brand Protection Agreement |
| Attachment "F" | State Addendum |

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 23 RECEIPT

EXHIBIT "L" to this Disclosure Document contains detachable receipts. You are to sign both, keep one copy and return the other copy to us.

## EXHIBIT "A"

## TO DISCLOSURE DOCUMENT

### STATE AGENCIES AND ADMINISTRATORS

**CALIFORNIA**
Commissioner of Department of Financial Protection and Innovation
320 West 4th Street, #750
Los Angeles, CA 90013
(213) 576-7500
1-866-275-2677

**HAWAII**
Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722
Agent for Service of Process
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division, Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

**ILLINOIS**
Illinois Attorney General
Chief, Franchise Division
500 South Second Street
Springfield, IL 62701
(217) 782-4465

**INDIANA**
Indiana Secretary of State, Securities Division
302 West Washington Street, Room E-108
Indianapolis, Indiana 46204
(317) 232-6681

**MARYLAND**
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360

**MICHIGAN**
Franchise Administrator
Consumer Protection Division
670 Law Building
Lansing, MI 48913
(517) 373-7117

**MINNESOTA**
Department of Commerce
Director of Franchise Registration
85 Seventh Place East, #280
St. Paul, MN 55101-3165
(651) 539-1600

**NEW YORK**
New York State Department Of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-6684

**NORTH DAKOTA**
North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

**RHODE ISLAND**
Department of Franchise Regulation
233 Richmond Street, #232
Providence, Rhode Island 02903
(401) 222-3048

**SOUTH DAKOTA**
Department of Labor and Regulation
Division of Securities
445 E Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

**VIRGINIA**
State Corporation Commission
Division of Securities and Retail Franchising
1st Floor (service of process)
9th Floor (administrator)
1300 East Main Street
Richmond, VA 23219
(804) 371-9051

**WASHINGTON**
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8760

**WISCONSIN**
Department of Financial Institutions
Division of Securities
201 West Washington Avenue
Madison, Wisconsin 53703
(608) 261-9555

**EXHIBIT "B"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS**

Commissioner of Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013

**EXHIBIT "C"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

*[See Attached]*

# Body and Brain Center, LLC
# Franchise Agreement

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**Attachments**


| | |
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| Attachment "A" | Definitions |
| Attachment "B" | Site Selection and Territory |
| Attachment "C" | Lease Addendum |
| Attachment "D" | ACH Authorization Form |
| Attachment "E" | Brand Protection Agreement |
| Attachment "F" | State Addendum |

# BODY & BRAIN FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") is entered into this ___ day of _____, 20___ (the "Effective Date") between Body and Brain Center, LLC, an Arizona limited liability company ("we" or "us"), with principal offices at 1234 S. Power Road, Suite 250, Mesa, Arizona 85206 and the franchisee signing this Agreement below ("you").

**1. DEFINITIONS**. Capitalized terms used in this Agreement are defined either in the body of this Agreement or in Attachment "A". For capitalized terms that are defined in the body of this Agreement, Attachment "A" lists the Sections of this Agreement in which such terms are defined.

**2. GRANT OF FRANCHISE**. We hereby grant you a license to own and operate a Body & Brain Center (your "Business" or your "Center") using our Intellectual Property from a single location that we approve in writing. We reserve all rights not expressly granted to you under this Agreement.

**3. TERRITORIAL RIGHTS AND LIMITATIONS**. Once we have approved the site for your Center, we will grant you a protected territory that will be identified on Part C of Attachment "B" (your "Territory"). Your Territory will include a minimum population of 70,000. We will not operate, or grant a franchise to a third party to operate, a Body & Brain Center or a Dahn Yoga Center that is physically located within your Territory during the Term, except as otherwise provided in this Section with respect to Captive Venues and Alternative Channels of Distribution. We reserve the right to: (i) operate Body & Brain Centers, or grant franchises or licenses to third parties to operate Body & Brain Centers, in Captive Venues that are located in your Territory; and (ii) sell competitive or identical goods or services (including under the Marks), or grant franchises or licenses to third parties to sell those goods or services (including, without limitation, Body & Brain home-based franchises), through Alternative Channels of Distribution, irrespective of whether the sales take place in your Territory.

**4. TERM AND RENEWAL**

**4.1 Generally**. The term of this Agreement (the "Term") will begin on the Effective Date and expire five (5) years thereafter. If this Agreement is the initial franchise agreement for your Center, you may enter into successor Body & Brain Center franchise agreements as long as you meet the conditions for renewal specified below. Each successor franchise agreement shall be the current form of franchise agreement that we use in granting Body & Brain franchises as of the expiration of the Term or renewal term, as applicable. The terms and conditions of the successor franchise agreement (including financial and territorial terms) may vary materially and substantially from the terms and conditions of this Agreement. Each renewal term will be for either three (3) or five (5) years, at your option. The maximum total term (including initial term and all renewal terms) shall be 15 years. You will have no further right to operate your Center following the expiration of the 15th year unless we grant you another franchise in our sole discretion. If this Agreement is a successor franchise agreement, the renewal provisions in your original franchise agreement will govern your remaining renewal rights, if any.

**4.2 Renewal Requirements**. In order to enter into a successor franchise agreement, you and the Owners (as applicable) must: (i) notify us in writing of your desire to enter into a successor franchise agreement not less than 180 days nor more than 360 days before the expiration of the Term or renewal term, as applicable; (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the successor franchise agreement; (iii) sign the successor franchise agreement and all ancillary documents that we require franchisees to sign; (iv) sign a General Release; (v) pay us a $1,000 renewal fee; and (vi) take any additional action that we reasonably require. The renewal fee shall be fully earned by us and non-refundable once the successor franchise agreement has been signed.

**4.3 Interim Term**. If you do not sign a successor franchise agreement after the expiration of

the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

## 5. TRAINING, WORKSHOPS AND CONFERENCES

**5.1** **Initial Training Program**. All of your Owners and managers must attend successfully complete our initial training program before you may sign this Agreement

**5.2** **Optional Periodic Training**. From time to time, we may offer refresher or additional training courses. Attendance at these training programs is optional.

**5.3** **Other Initial Training Programs**. Before you open your Business, each of your Owners must complete the Self-Enrichment workshop, Qualified Instructor Training and Leadership Training provided by Body & Brain Yoga and Health Centers, Inc.

**5.4** **Additional Training Upon Reques**t. Upon your written request, we may provide additional training to you at a mutually convenient time. We are not required to provide this training.

**5.5** **National Conferences**. We may hold periodic national conferences to discuss various business issues and operational and general business concerns affecting Body & Brain franchisees. Attendance at these conferences is mandatory unless: (i) an Owner or manager cannot attend due to circumstances beyond his or her control; or (ii) we provide our prior written consent that the Owner or manager is not required to attend.

**5.6** **Training Fees & Expenses**. You are responsible for all food, lodging and travel costs that your Owners and managers incur while attending any training program, workshop or conference. You must pay us an initial training fee of $10,000 for each person that attends our initial training program, whether before or after signing this Agreement. The initial training fee is due before training begins. We may charge a $400 retraining fee for any person who must retake training after failing to successfully complete initial training on a prior attempt. You must pay the applicable fees to each provider of Self-Enrichment workshop, Qualified Instructor Training, and Leadership Training. If you choose to attend any optional periodic training program, or if we agree to provide any special training that you request, then you agree to pay us a training fee of up to $150 per hour, which is due as invoiced. If we agree to travel to you to provide any training, you must also reimburse us for all costs that we incur for food, lodging and travel, which amounts are due as invoiced. We may charge you a conference registration fee of $100 per day per person who attends our national conference, which is due as invoiced.

## 6. OTHER FRANCHISOR ASSISTANCE

**6.1** **Manual**. We will lend you our confidential Operating Manual (the "Manual") in text or electronic form for the duration of the Term. The Manual will help you establish and operate your Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

**6.2** **Opening Assistance**. Upon your request, we may, but need not, send a representative to your Center to assist you with the opening of your Business. We will use good faith efforts to provide this assistance, subject to the availability of our representatives. We will not charge a fee for this assistance. However, you must reimburse us for all reasonable travel, meals, lodging and other expenses that our

representative incurs in providing this assistance. You agree to reimburse us for these amounts upon receipt of an invoice.

**6.3** **General Guidance**. Based upon our periodic inspections of your Center or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Center.

**6.4** **Marketing Assistance**. As further described in Section 9.1 and Section 9.2, we will administer the advertising fund and provide you with other marketing assistance during the Term.

**6.5** **Website**. We will maintain the corporate website for Body & Brain franchisees that will include the information about your Business that we deem appropriate. We will also establish an intranet with our franchisees to provide operational support. We may modify the content of and/or discontinue the Website and intranet at any time in our sole discretion.

**6.6** **Private Label Goods**. We may, but need not, develop Body & Brain private label products for sale at your Center. You are not required to sell any of these products.

## 7. ESTABLISHING YOUR CENTER

**7.1** **Site Selection**. You agree to locate and obtain our approval of the premises from which you will operate your Business. The premises must be located within the Site Selection Area identified in Part A of Attachment "B" and must conform to our minimum site selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within ten (10) business days after we receive all of the requisite materials. You understand that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Body & Brain Center. Our approval of the site indicates only that we believe the site meets our minimum criteria. Our site approval will be indicated on Part B of Attachment "B", which you and we will both sign upon site approval.

**7.2** **Lease**. If you will lease the premises for your Center, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to this Agreement as Attachment "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement, we have the right to disapprove of your lease in our commercially reasonable judgment, in which case you must find a new site for your Center.

**7.3** **Construction**. After you purchase or sign the lease for your premises, you must construct and equip the premises to the specifications contained in the Manual and purchase (or lease) and install the equipment, fixtures, signs and other items that we require. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the franchise. Before you open, we must approve the layout of your Center.

**7.4** **Opening**. You must open your Center to the public within two (2) years after the Effective Date. We may, in our sole and absolute discretion, grant you an opening date extension period; provided however, that (i) you must request an extension at least 30 days before the expiration of the initial two-year opening period; and (ii) the extension period or periods shall under no circumstances exceed an additional two (2) year period. You may not open your Center before: (i) at least one Owner successfully completes the initial training program; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; and (iv) we provide our written approval of the construction, build-out and layout of your Center. You must send us a written notice identifying your proposed opening date at least ten (10) days before opening.

**7.5 Relocation**. You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (i) locate your new Center within the Site Selection Area; (ii) comply with Section 7.1 through Section 7.4 of this Agreement with respect to your new Center (excluding the two year opening period); and (iii) open your new Center and resume operations within 180 days after closing your prior Center.

## 8. MANAGEMENT OF BUSINESS

**8.1 Owner Participation**. You acknowledge that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement and hands-on supervision by all of your Owners. Each Owner must at all times be actively involved in the operation of the Business on a full time basis. Any new Owner that we approve must successfully complete the initial training program pursuant to Section 5.1. By signing the Franchise Agreement, each Owner agrees to be personally bound by all of its terms, even if the franchisee is an entity.

**8.2 Managers**. If you purchase multiple franchises, you must have at least one (1) Owner for each center. An Owner cannot manage multiple centers. If you purchase more franchises than you have Owners, you must hire at least one (1) individual manager to assume responsibility for the daily supervision and operation of any Body & Brain Center that is not managed by an Owner. We may also allow you to hire a manager to assist an Owner with the management of your Center as long as the Owner remains actively involved with the operation of the Center. A manager may only manage one (1) Body & Brain Center. Each manager must: (i) be approved by us (we may require that the manager visit our headquarters for an interview); (ii) successfully complete the initial training program (and you must pay us the fee for the initial training); and (iii) sign a Brand Protection Agreement before attending training.

**8.3 Employees**. You must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of your Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You must ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of your Business at all times. You must ensure that your employees perform their duties in compliance with the terms of the Manual and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information and material from the Manual that is necessary. You must ensure that your employees do not make or retain any copies of the Manual or any portion of the Manual. We do not control, or have the right to control, the hiring, firing, training, discipline or day-to-day activities of your employees.

## 9. ADVERTISING & MARKETING

### 9.1 Advertising Fund.

(a) Administration. We have established and maintain an advertising fund. The advertising fund, which may be used for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or appropriate ("Advertising Campaigns"). We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any Advertising Campaign. We will not use advertising fund fees to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the advertising fund and the Advertising Campaigns (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities and employing advertising agencies, collecting and accounting for contributions to the advertising fund, and paying for the preparation and distribution of financial accountings and marketing materials). Any surplus

of funds in the advertising fund may be invested and we may lend money to the advertising fund if there is a deficit. The advertising fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the advertising fund. A financial accounting of the operations of the advertising fund, including deposits into and disbursements from the advertising fund, will be prepared annually and made available to you upon request.

(b) Contributions from You and Us. On the sixth ($6^{th}$) day of each month, you must pay us an advertising fund fee equal to 0.5% of your Program Sales for the prior month's operations. We will deposit into the advertising fund all: (i) advertising fund fees paid by you and other franchisees (unless we allocate the fees to an advertising cooperative); (ii) fines paid by you and other franchisees; and (iii) rebates or other payments we receive from suppliers based on franchisee purchases. Any company-owned Body & Brain Center or Body & Brain home-based business will contribute to the advertising fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the advertising fund, any company-owned Body & Brain Center or Body & Brain home-based business that is established or acquired after the modification may contribute to the advertising fund utilizing the modified amount or timing. Except as stated in this Section, we have no obligation to expend our own funds or resources for any Advertising Campaign.

**9.2 Marketing Assistance From Us**. We will provide you with a standardized marketing plan for your Business. The marketing plan will be included in the Manual. We may create and make available to you advertising and other marketing materials at no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as needed basis.

**9.3 Your Marketing Activities**

(a) Generally. Although you are encouraged to engage in local advertising, you are not required to spend any minimum amount on local advertising to promote your Business. However, you must participate at your own expense in all advertising, promotional and marketing programs that we require. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of any person.

(b) Approval of Advertising. We must approve all advertising and promotional materials that were not prepared or previously approved by us before you use them (including materials that we prepare or approve and you modify). We will be deemed to have approved the materials if we fail to issue our disapproval within five (5) business days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved).

(c) Online Advertising. You are not allowed to develop or maintain your own website. We will list your information on our website. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance pursuant to Section 9.3(b). You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop.

(d) Coupon Deals and Discount Programs. You agree to participate in all coupon deals that we specify, such as Groupon. You agree that we may enter into agreements with these companies on behalf of you and other franchisees and we have the right to collect the funds generated through the program and distribute them to franchisees based on where the services are redeemed. You also agree to participate in all discount and referral programs that we specify, such as Beneplace. In these arrangements, a third

party refers potential customers to franchisees and the customers receive a discounted rate. Under these programs, you may be required to pay commissions to the party referring the customers to you. All proceeds from coupon deals or discount and referral programs will either be credited towards your obligation to pay royalty fees or we will send you a check. To the extent such proceeds for a given month exceed your required royalty fee for that month, the excess amount will be carried forward and applied against your required royalty fee in the subsequent month. If this Agreement expires and, as of the expiration date, the amount of such proceeds exceeds the total credits you have received for your required royalty fees, the excess amounts will be refunded to you within 30 days after the expiration of this Agreement. We will notify you of all coupon or discount and referral transactions pertaining to your Business in a timely manner.

**9.4** **Advertising Cooperative**. We have the right, but not the obligation, to create one or more advertising cooperatives for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. We have the right to: (i) allocate any portion of the advertising fund fee to the advertising cooperative; (ii) determine the composition of all geographic territories and market areas for each advertising cooperative; and (iii) require that you participate in any advertising cooperative if and when established by us. If we implement an advertising cooperative, we may establish an advertising council to self-administer the advertising cooperative. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. Alternatively, we may administer the advertising cooperative ourselves. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion. You must pay the monthly cooperative advertising fee established by us or the council, as applicable, which will be due on the sixth ($6^{th}$) day of each month for the prior month's operations. The initial cooperative advertising fee shall be equal to 0.5% of Program Sales. Upon the majority vote of all franchisees within the advertising cooperative, the amount of the cooperative advertising fee may be adjusted (or temporarily suspended) or the cooperative advertising fee may be eliminated altogether. If we or an affiliate of ours operate a majority of the Body & Brain Centers within the advertising cooperative, we will increase the cooperative advertising fee only with the consent of all franchisees within the advertising cooperative. We will collect all cooperative advertising fees and pay them to the applicable advertising cooperative unless we administer the advertising cooperative ourselves.

**9.5** **Online Payment Program**. We have implemented a program pursuant to which we will allow existing, new, or potential customers to pay for Introductory Class sessions, Trial Class sessions, Group Classes, and Private Classes through our website or a third-party website (the "Online Payment Program"). You agree to participate in the Online Payment Program. By participating, you agree that: (i) we will list your Center on our website or a third-party website as a Body and Brain Center that is participating in the Online Payment Program; (ii) we will allow existing, new, or potential customers of your Center to purchase Introductory Class sessions (introductory one-on-one sessions), Trial Class sessions (introductory group classes), Group Classes, or Private Classes through our website or a third-party website by electronic payment; and (iii) we may offer a discount for online payment, provided that the minimum required payment will be equal to or exceed 50% of our then-current suggested retail pricing for Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes, as applicable. The electronic payments made by customers through the Online Payment Program (referred to as "Online Payment Proceeds") attributable to purchases of Introductory Class sessions, Trial Class sessions, Group Classes, and Private Classes at your Center will be included in your reporting of Program Sales. All Online Payment Proceeds collected by us pertaining to your Center will be paid to you. We will notify you of all online payment transactions on our website pertaining to your Center in a timely manner.

## 10. OPERATING STANDARDS

**10.1** **Generally.** You agree to operate your Center: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms and conditions of this Agreement and the Manual.

**10.2** **Operating Manual**. You agree to establish and operate your Business in accordance with the Manual. The Manual may contain, among other things: (i) a description of the authorized goods and services that you may offer at your Center; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Body & Brain franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your Center; and (v) a written list of items (or specifications for items) you must purchase for your Center and a list of any designated or approved suppliers for these items. We can modify the Manual at any time. The modifications will become binding 30 days after we send you notice of the modification. All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

**10.3** **Authorized Goods and Services**. You agree to offer all services that we require from time to time in our commercially reasonable discretion. You may, but need not, offer the products that we authorize from time to time. You may not offer any other goods or services without our prior written permission. You may not use your Center or permit your Center to be used for any purpose other than providing the goods and services that we authorize. We may, without obligation to do so, add or delete authorized goods and services. Our discontinuance of one or more goods or services shall not constitute a termination of the franchise or this Agreement.

**10.4** **Suppliers and Purchasing**. You agree to purchase or lease all products, supplies, equipment and other items specified in the Manual from time to time. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include us or our affiliates). If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we will deposit these amounts into the advertising fund. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 60 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 60-day period.

**10.5** **Equipment Maintenance and Changes**. You agree to maintain all equipment used in connection with your Center in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.

**10.6** **Remodeling and Maintenance**. You agree to remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. There are no limitations on the cost or frequency of these remodeling obligations. You may not remodel or significantly alter your premises without our prior written approval, which will not be unreasonably withheld. However, we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current specifications, standards or image requirements. You agree to maintain your Center in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. You agree to comply with any maintenance, cleaning or facility upkeep schedule that we prescribe from time to time.

**10.7** **Software and Technology**. You must utilize all software and technology that we specify. We may change the software or technology that you must use at any time. We may also develop proprietary software or technology that must be used by franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which

you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. All fees referenced in this Section are due as invoiced. Currently, we require that you utilize the web-based point of sale system, BRMNet, provided by Body & Brain Yoga and Health Centers, Inc. ("BBYHC"). You must sign the Software Service Agreement required by BBYHC and perform all of your obligations under the Software Service Agreement, including payment of the monthly fees.

**10.8 Customer Complaints and Refunds**. If you receive a customer complaint, you must follow the customer complaint resolution process that we specify to protect the goodwill associated with the Marks. If you fail to follow the complaint resolution process, then, in addition to any other remedies available to us under this Agreement, we reserve the right to impose a fine of up to $500 per occurrence, up to a maximum of $2,500 for the same violation. You agree to comply with any refund policy that we specify from time to time, including in situations where a member transfers their membership or customer agreement.

**10.9 Membership Program**. You agree to participate in any membership program that we require from time to time. The membership program may include membership privileges for both Dahn Yoga and Body & Brain Centers. You must accept members at your Center according to the terms of the membership program (currently, if a member of another franchised or company-owned Body & Brain Center desires to switch the member's membership to your Center, you must accept the member at your Center). You agree to abide by all rules of the membership program that we specify in the Manual from time to time. In the past, we offered the "Platinum Membership" program and BBYHC offered the "Gold Membership" program. Although we no longer offer the Platinum Membership program and BBYHC no longer offers the Gold Membership program, you must continue to service customers who previously purchased these memberships under the original terms of the membership program. At any time, we may reinstate these membership programs or institute new membership programs and you agree to participate in these programs according to the rules we prescribe in the Manual from time to time. If we reinstate a membership program, you agree to take our form of membership agreement to your lawyer to ensure that it complies with state and local laws.

**10.10 Failure to Comply with Standards**. You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures and you fail to correct the non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to $500 per occurrence, up to a maximum of $2,500 for the same violation.

**11. FRANCHISE ADVISORY COUNCIL**. We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as advertising, marketing, operations and new service suggestions. We will consider all suggestions from the advisory council in good faith, but we are not bound by any such suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You will have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counterproductive manner, as determined by us in our discretion. As a member, you will be entitled to all voting rights and privileges granted to other members of the council. Each member will be granted one vote for each Body & Brain Center that it owns and operates on all matters on which members are authorized to vote.

**12. FRANCHISEE AS ENTITY**. If you are an Entity, you agree to provide us with a list of all of your Owners. All Owners of the Entity (whether direct or indirect) are jointly and severally responsible for

the Entity's performance of this Agreement and each Owner is bound by all of the terms of this Agreement. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.

## 13. FEES

**13.1 Initial Franchise Fee**. You agree to pay us an initial franchise fee (the "Initial Franchise Fee") at the time you submit to us the site that you propose for your Business. The Initial Franchise Fee is $10,000, except that the Intial Franchise Fee for an additional Body & Brain Center shall be $9,000 if (i) you are an existing franchisee under, and in full compliance with, an existing franchise agreement for a Body & Brain Center franchise, (ii) you and we agree to enter into a new franchise agreement for the additional Body & Brain Center; and (iii) the new franchise agreement is entered into before the termination or expiration of the existing franchise agreement. The Initial Franchise Fee shall be fully earned by us and non-refundable once this Agreement has been signed. The Initial Franchise Fee will be waived if the option to convert to a Body & Brain Center franchise is exercised by a Body & Brain home-based franchisee who has satisfied all of the conditions for exercising the option, including payment of the applicable conversion fee, set out in the franchise agreement for the Body & Brain home-based franchise.

**13.2 Royalty Fee**. On the sixth ($6^{th}$) day of each month, you agree to pay us a royalty fee equal to 10% of your Program Sales generated during the preceding month.

**13.3 Other Fees and Payments**. You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner (such as training fees, renewal fees, transfer fees, etc.).

**13.4 Late Fee**. If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us interest on the amounts past due at the rate equal to the lesser of 18% per annum (prorated on a daily basis), or the highest rate permitted by your State's law. If no due date has been specified by us, then interest begins to run ten (10) days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 13.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 15.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due and payable. You acknowledge that this Section 13.4 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business.

**13.5 Method of Payment**. You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "Account") for: (i) all fees payable to us pursuant to this Agreement; and (ii) any amounts that you owe to us or any of our affiliates for the purchase of goods or services. Our current form of ACH Authorization Form is attached to this Agreement as Attachment "D". You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your Account for these amounts. All fees and costs payable by you under this Agreement, and any other amounts owed to us or our affiliates for the purchase of goods or services, will be electronically debited from the Account. We will debit your Account for these payments on or after the due date. You must deposit into the Account all revenues that you generate from the operation of your Business. You must make the funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 13.4. We reserve the right to broaden our Online Payment Program to allow your customers to pay for your

products and services online. In such event, we will collect all proceeds, deduct all fees owed to us and our affiliates, and promptly remit the balance to you.

**13.6** **Application of Payments**. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

## 14. BRAND PROTECTION COVENANTS

**14.1** **Reason for Covenants**. You acknowledge that our Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect our Intellectual Property and our franchise system.

**14.2** **Our Know-how**. You and the Owners agree: (i) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Center pursuant to this Agreement; (ii) you and the Owners will maintain the confidentiality of the Know-how at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any Know-how; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you and the Owners will stop using the Know-how immediately upon the expiration or termination of this Agreement, and any Owner who ceases to be an Owner before the expiration or termination of the franchise will stop using the Know-how immediately at the time he or she ceases to be an Owner.

**14.3** **Unfair Competition During Term**. You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities ("Prohibited Activities"): (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative or agent) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); (iii) selling any Body & Brain products or services to any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer; or (iv) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

**14.4** **Unfair Competition After Term**. During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

**14.5** **Immediate Family Members**. The Owners acknowledge that they could circumvent the purpose of Section 14 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 14 if any member of his or her immediate family

engages in any Prohibited Activities or uses or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Know-how to the family member.

**14.6** **Employees and Others Associated with You**. You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who may have access to our Know-how sign and send us a Brand Protection Agreement before having access to our Know-how. You must use your best efforts to ensure that these individuals comply with the terms of the Brand Protection Agreements and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Brand Protection Agreement, including reasonable attorneys' fees and court costs.

**14.7** **Covenants Reasonable**. You and the Owners acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Body & Brain franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Center; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 14 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

**14.8** **Breach of Covenants**. You and the Owners agree that failure to comply with the terms of this Section 14 will cause substantial and irreparable damage to us and/or other Body & Brain franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 14 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 14.

## 15. YOUR OTHER RESPONSIBILITIES

**15.1** **Insurance**. For your protection and ours, you agree to maintain the following insurance policies: (i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Center, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Center, containing minimum liability protection of $1,000,000 combined single limit per occurrence, and $2,000,000 in the aggregate (with a maximum deductible of $1,000 per claim); (iii) worker's compensation insurance and employer's liability insurance as required by law; and (iv) any other insurance that we specify in the Manual from time to time. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Center. All insurance policies must: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive ten (10) days prior written notice of the termination, expiration, cancellation or modification of the policy. You must provide us with a certificate of insurance along with the additional

insured endorsement. If any of your insurance companies fail to give us notice as required in this Section, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten (10) days notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, on demand, all costs and premiums that we incur.

**15.2** **Books and Records**. You agree to prepare and maintain at your Center for at least five (5) years after their preparation complete and accurate books, records, accounts and tax returns pertaining to your Center. You must send us copies of your books and records within seven (7) days of our request.

**15.3** **Reports**. As of the Effective Date, you are required to use software that automatically generates reports regarding the operation of your Business and you are not required to provide periodic reports of gross revenues, expenses or Program Sales. However, we reserve the right to impose this requirement at any time. Accordingly, upon our request, you must prepare and provide to us a monthly statement of gross revenues (with Program Sales separately identified) and expenses for your Business no later than the second ($2^{nd}$) day of each month for the prior month's operations. You must provide any other report that we require in the form and manner that we require. We have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Business.

**15.4** **Financial Statements**. Within 90 days after the end of each fiscal year, you must prepare (and furnish to us upon request) a balance sheet as of the end of the calendar year and an annual statement of profit and loss and source and application of funds for your Business. All financial statements that we require must be: (i) verified and signed by you certifying to us that the information is true, complete, and accurate; and (ii) submitted in any format that we reasonably require. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

**15.5** **Legal Compliance**. You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Business and operate and manage your Business in full compliance with all applicable laws, ordinances, rules and regulations. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

## 16. INSPECTION AND AUDIT

**16.1** **Inspections**. To ensure compliance with this Agreement, we or our representatives will have the right to enter your Center, evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include watching or participating in your classes and contacting your landlord, students and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Center, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

**16.2** **Audit**. We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Program Sales, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 13.4. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Agreement; or (ii) reveals an understatement of any amount due to us by at least three percent (3%), in which case you agree to pay us $2,500 plus our actual cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The $2,500 fee and audit cost reimbursements will be due ten (10) days after invoicing.

## 17. INTELLECTUAL PROPERTY

**17.1** **Ownership and Use of Intellectual Property**. You acknowledge that: (i) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Center during the Term pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

**17.2** **Data and Customer Accounts**. We will own all data pertaining to the services offered by you under your Business. We may utilize such data to evaluate and improve our services, protocols and processes or for any other purpose. We may provide or sell non-personally identifiable data to third parties in our discretion. We will also own all customer files, accounts and contracts, all of which shall be assigned to us (upon our request) following the expiration, termination or Transfer of this Agreement. In addition, you agree that if one of your members switches their membership or customer agreement to another Body & Brain franchisee or company-owned business, we may transfer the account and all data pertaining to that member to the Body & Brain franchisee or company-owned business to which the membership or customer agreement was transferred.

**17.3** **Changes to Intellectual Property**. We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions by us within 30 days at your cost. You waive all claims arising from or relating to any change, modification, substitution or discontinuation of the Intellectual Property. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

**17.4** **Use of Marks**. You agree to use the Marks as the sole identification of your Center; provided, however that you must identify yourself as the independent owner of your Center in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable

instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

**17.5 Use of Know-how**. We will disclose the Know-how to you by furnishing certain specifications and guidance with respect to your Business in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms and conditions of this Agreement in the development and operation of your Business during the Term. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Business during the Term.

**17.6 Improvements**. If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a Body & Brain Center or Body & Brain home-based franchise, or any advertising or promotional ideas related to such business (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any such Improvement approved by us may be used by us and any third parties that we authorize to operate a Body & Brain franchise, without any obligation to you royalties or other fees. You must assign to us or our designees, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Body & Brain business.

**17.7 Notification of Infringements and Claims**. You must immediately notify us of any: (i) apparent infringement of any of our Intellectual Property; (ii) challenge to your use of any of our Intellectual Property; or (iii) claim by any person of any rights in any of our Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

**18. INDEMNITY**. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the marketing, use or operation of your Center or your performance and/or breach of any of your obligations under this Agreement; (ii) any other Claim arising from alleged violations of your relationship with and responsibility to us; or (iii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

## 19. TRANSFERS

**19.1 By Us**. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall insure to the benefit of any assignee(s) or other legal successor(s) to our interest in this

Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

**19.2 By You**. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

(i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a Body & Brain Center and otherwise meets all of our then applicable standards for franchisees;

(ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;

(iii) all of the owners of the transferee have successfully completed or made arrangements to attend the initial training program (and the transferee has paid us the initial training fee for each new owner and manager who attends training);

(iv) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;

(v) the transferee and its owners sign our then current form of franchise agreement, except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;

(vi) you or the transferee pay us a $3,000 transfer fee to defray expenses that we incur in connection with the Transfer;

(vii) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

(viii) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement;

(ix) we do not elect to exercise our right of first refusal described in Section 19.5; and

(x) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

**19.3 Permitted Transfers**. You may engage in a Permitted Transfer without our prior approval, but you must give us at least ten (10) days prior written notice. You and the Owners agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

**19.4 Death or Disability of an Owner**. Upon the death or permanent disability of an Owner,

the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 19.3. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

**19.5 Our Right of First Refusal**. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 20 business days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 20-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 19.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

## 20. TERMINATION

**20.1 By You**. You may terminate this Agreement if you are in compliance with this Agreement and we materially breach this Agreement and fail to cure the breach within 90 days after you deliver to us a written notice specifying the nature of the breach. You may also terminate at any time prior to attending our initial training program by providing written notice to us. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 21 and all other obligations that survive the expiration or termination of this Agreement.

**20.2 Termination By Us Without Cure Period**. We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

(i) if you fail to open your Center in the time and manner required by Section 7.4;

(ii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Business, even if you or the Owner still maintain appeal rights;

(iii) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

(iv) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;

(v) if you abandon, surrender, transfer control of or fail to actively manage or operate your Business for three (3) consecutive business days, unless the failure is due to an event of force majeure or another reason approved by us;

(vi) if you fail or refuse to pay any amount owed to us or an affiliate of ours within 5 days after receipt of a demand for payment;

(vii) if you underreport any amount owed to us by at least three percent (3%), after having already committed a similar breach that had been cured in accordance with Section 20.3;

(viii) if you are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense, or are subject to any administrative disciplinary action, that is in our sole discretion likely to adversely affect the reputation of the System or the goodwill associated with Body & Brain Centers, Body & Brain home-based franchises or the Marks;

(ix) if you manage or operate your Business in a manner that presents a health or safety hazard to your customers, employees or the public;

(x) if you or an Owner makes any material misrepresentation to us, whether occurring before or after being granted the franchise;

(xi) if you or an Owner makes an unauthorized Transfer;

(xii) if you or an Owner makes an unauthorized use of our Intellectual Property or commits an act that can be reasonably expected to materially impair the goodwill associated with the Marks;

(xiii) if you or an Owner breaches any of the brand protection covenants described in Section 14;

(xiv) if you fail to comply with any material federal, state or local law or regulation applicable to the operation of your Business;

(xv) if the lease for your premises is terminated due to your default; or

(xvi) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

**20.3 Additional Conditions of Termination**. We may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Agreement (other than the defaults listed in Section 20.2 above) or any other agreement with us, or any mandatory specification, standard or operating procedure prescribed by us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 20.3, we may suspend performance of any of our obligations under this Agreement until such time that you have fully cured the breach.

**20.4 Mutual Agreement to Terminate**. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

## 21. POST-TERM OBLIGATIONS

**21.1 Obligations of You and the Owners**. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

(i) Immediately cease to use the Intellectual Property;

(ii) pay us all amounts that you owe us;

(iii) comply with all covenants described in Section 14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;

(iv) return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a Body & Brain Center, unless we allow you to transfer such items to an approved transferee;

(v) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;

(vi) provide us with a list of all of your current, former and prospective customers;

(vii) assign all customer contracts and information to us (unless we allow you to transfer those contracts to an approved transferee);

(viii) follow all policies we specify for a period of up to one (1) year after the termination or expiration date to address customer related issues, including transfer of memberships or customer agreements and issuance of refunds (you will be responsible for all requested refunds);

(ix) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee;

(x) notify all telephone companies, listing agencies and domain name registration companies (collectively, the "Agencies") of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Center; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and

(xi) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

### 21.2 Right to Purchase Center and Assets

(a) Generally. Upon the termination or expiration of this Agreement, we shall have the right, but not the obligation, to purchase your Body & Brain Center and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of the Agreement (the "Appraisal Date"). We will notify you of the specific items that we wish to purchase (the "Acquired Assets").

(b) Selecting Qualified Appraisers. You and we each shall appoint an appraiser with experience appraising businesses comparable to your Business in the United States (a "Qualified Appraiser"). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser

within the 30-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.

(c) Information for Appraisal. You must furnish to the Qualified Appraisers a copy of your current financial statements, as well as your financial statements for the prior three (3) years (or the period of time that you have operated your Business, if less than three (3) years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

(d) Appraisal Process. Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without taking into account any value for goodwill (the "Appraised Value"). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who shall agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then the Appraised Value shall be the value determined by the single Qualified Appraiser.

(e) Cost of Appraisal. You and we shall equally bear the cost of the appraisal.

(f) Closing. Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us.

**22. DISPUTE RESOLUTION**. Unless otherwise prescribed by law, the parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between you and us or between you and any Indemnified Party (a "Dispute") to mediation before a mutually-agreeable mediator prior to arbitration. If the Dispute cannot be resolved by mediation, the parties will submit the dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Notwithstanding the foregoing, any Dispute that involves an alleged breach of Section 14 or Section 17 of this Agreement will not be subject to mediation or arbitration unless otherwise agreed to by both parties, and either party may immediately file a lawsuit in accordance with this Section with respect to any alleged breach of Section 14 or Section 17. All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Maricopa County, Arizona) and the

parties irrevocably waive any objection to such venue. If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. **UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 14 OR SECTION 17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. UNLESS OTHERWISE PRESCRIBED BY LAW, WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.**

**23. YOUR REPRESENTATIONS**. YOU HEREBY REPRESENT THAT: (i) YOU RECEIVED AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

**24. GENERAL PROVISIONS**

**24.1 Governing Law**. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**24.2 Relationship of the Parties**. You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

**24.3 Severability and Substitution**. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such

promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

**24.4 Waivers**. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Body & Brain franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

**24.5 Approvals**. Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

**24.6 Force Majeure**. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

**24.7 Binding Effect**. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 15.1 and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 15.1 and Section 18, respectively.

**24.8 Integration**. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND, EXCEPT AS PERMITTED BY SECTION 10.2 AND SECTION 24.3, MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. The attachment(s) are part of this Agreement, which constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. To the extent that any provision in the California Addendum attached to this Agreement is inconsistent with any provision in this Agreement, the provision in the California Addendum shall control.

**24.9 Covenant of Good Faith**. If applicable law implies a covenant of good faith and fair

dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**24.10 Rights of Parties are Cumulative**. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

**24.11 Survival**. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitations, Section 13, Section 14, Section 16, Section 18, Section 21, Section 22 and Section 24.

**24.12 Construction**. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**24.13 Time of Essence**. Time is of the essence in this Agreement and every term thereof.

**24.14 Counterparts**. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**24.15 Notice**. All notices given under this Agreement must be in writing, delivered by hand, telegram or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

| | |
|---|---|
| YOU: | As set forth below your signature on this Agreement |
| US: | Body and Brain Center, LLC<br>1234 S. Power Road, Suite 250<br>Mesa, Arizona 85206 |
| WITH A COPY TO: | Temani F. Aldine, Esq.<br>2500 S. Power Rd., Suite 126-3<br>Mesa, Arizona 85209 |

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by telegraph or comparable electronic or computer system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

**24.16 Effectiveness of Statement, Questionnaire, or Acknowledgement**. 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.

[Signature page follows]

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

**FRANCHISOR:**

Body and Brain Center, LLC, an Arizona
limited liability company

By: _____
Name: _____
Its: _____

**YOU (If you are an entity):**

_____,
a(n)_____

By: _____
Name: _____
Its: _____

***By signing below, each individual owner of a direct or indirect interest in the franchisee entity agrees to be bound by all of the terms and conditions of the Franchise Agreement.**

_____
Name: _____

_____
Name: _____

_____
Name: _____

_____
Name: _____

**YOU (If you are not an entity):**

_____
Name: _____

_____
Name: _____

_____
Name: _____

_____
Name: _____

Franchisee Principal Business Address:

_____
_____

**ATTACHMENT "A"**

**TO BODY & BRAIN FRANCHISE AGREEMENT**

**DEFINITIONS**

*"Account"* is defined in Section 13.5.

*"Acquired Assets"* is defined in Section 21.2(a).

*"Advertising Campaign"* is defined in Section 9.1(a).

*"Agencies"* is defined in Section 21.1(x).

*"Agreement"* is defined in the Introductory Paragraph.

*"Alternative Channels of Distribution"* means all channels of distribution other than retail sales made to customers while physically present in a Body & Brain Center, including, but not limited to: (i) sales over the Internet or through catalogs; (ii) sales through stores selling health or healing products (other than Body & Brain Centers operating under the Marks); and (iii) on-site sales to groups at a business (i.e., worksite classes) or customers at their homes (including sales made by Body & Brain home-based franchisees).

*"Appraisal Date"* is defined in Section 21.2(a).

*"Appraised Value"* is defined in Section 21.2(d).

"*Body & Brain Center*" means a retail based center focused on offering physical aspects of holistic health services, which are primarily offered in group class settings, and operated using our Intellectual Property as a substantial and indispensable part of operating the center.

*"Brand Protection Agreement"* means our form of Brand Protection Agreement, the most current form of which is attached to this Agreement as Attachment "E".

*"Business"* is defined in Section 2.

*"Captive Venues"* means non-traditional outlets for the sale of Body & Brain products or services that are located within, or are a part of, another establishment or facility that consumers may visit for a purpose other than purchasing the Body & Brain products or services. Examples of Captive Venues include outlets for Body & Brain products or services that are located in hotels, college campuses, airports, train stations, or within other similar types of establishments.

*"Center"* is defined in Section 2.

*"Claim"* or *"Claims"* means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

*"Competitive Business"* means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides brain based education, Yoga, Taichi or Qi-Gong.

*"Copyrights"* means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Body & Brain franchisees to use, sell or display in connection with the marketing and operation of a Body & Brain Center, whether now in existence or created in the future.

*"Dispute"* is defined in Section 22.

*"Effective Date"* is defined in the Introductory Paragraph.

*"Entity"* means a corporation, partnership, limited liability company or other form of association.

*"General Release"* means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees.

*"Improvements"* is defined in Section 17.6.

*"Indemnified Party"* or *"Indemnified Parties"* means us and each of our past, present and future owners, members, officers, directors, managers, employees, consultation service providers, and agents, as well as our parent company, subsidiaries, affiliates the owners or creators of the Intellectual Property, persons or entities allegedly controlling or acting in concert with us, persons or entities that refer customers to your Business, and persons or entities to whom your Business refers its customers, and each of their respective past, present and future owners, members, officers, directors, founders, managers, employees and agents.

*"Intellectual Property"* means, collectively or individually, our Marks, Copyrights, Know-how, Improvements and System.

*"Interim Term"* is defined in Section 4.3.

*"Know-how"* means all of our and our affiliates' trade secrets and other proprietary information relating to the development or operation of a Body & Brain Center, including, but not limited to, methods, techniques, specifications, procedures, marketing strategies and information comprising the System and the Manual.

*"Losses and Expenses"* means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party.

*"Manual"* is defined in Section 6.1.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Body & Brain Center, including "Body & Brain," "Body & Brain Center" and any other trademarks, service marks or trade names that we designate for use in a Body & Brain Center. The term "Marks" also includes our distinctive trade dress used to identify a Body & Brain Center, whether now in existence or created in the future.

*"Online Payment Proceeds"* is defined in Section 9.5.

*"Online Payment Program"* is defined in Section 9.5.

*"Owner"* or *"Owners"* means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. "Owner" includes both passive and active owners.

*"Permitted Transfer"* means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer; and/or (ii) a Transfer to a newly established Entity for which the approved Owners collectively own and control 100% of the ownership interests and voting power.

*"Post-Term Restricted Period"* means a period of two (2) years after the termination, expiration or Transfer of this Agreement or two (2) years after the Transfer of an ownership interest by an Owner, as applicable; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the "Post-Term Restricted Period" means a period of one (1) year after the termination, expiration or Transfer of this Agreement or one (1) year after the Transfer of an ownership interest by an Owner, as applicable.

*"Program Sales"* means all gross sums collected by you or us from all services sold in connection with your Business and includes the proceeds of any business interruption insurance and any referral fees that you receive. "Program Sales" do not include: (i) revenues from product sales; (ii) revenues that you collect from a customer and later refund to that customer; or (iii) any sales or use taxes that you pay to a government agency. If you include an amount as Program Sales for a given reporting period but that amount is subsequently refunded to the customer, the amount of the refund may be deducted from Program Sales for your next reporting period.

*"Prohibited Activities"* is defined in Section 14.3.

*"Qualified Appraiser"* is defined in Section 21.2(b).

*"Restricted Territory"* means the geographic area within: (i) a 15 mile radius from your Center (and including your Center itself); and (ii) a 15 mile radius from all other Body & Brain Centers and Dahn Yoga and Health Centers that are operating or under construction as of the Effective Date; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a ten (10) mile radius from your Center (and including your Center itself).

*"Site Selection Area"* is defined in Section 7.1.

*"System"* means our unique system for operating a Body & Brain Center, the distinctive characteristics of which include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system.

*"Term"* is defined in Section 4.1.

*"Territory"* is defined in Section 3.

*"Training Agreement"* means our form of Training Agreement that we require prospective franchisees to sign before they attend the initial training program.

*"Transfer"* means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

*"We" or "us"* is defined in the Introductory Paragraph.

*"You"* is defined in the Introductory Paragraph.

**ATTACHMENT "B"**

**TO BODY & BRAIN FRANCHISE AGREEMENT**

**SITE SELECTION & TERRITORY**

**A. Site Selection Area**.

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area:

[_____]

* The Site Selection Area is not your territory and there are no protections associated with this area.

**B. Approved Site.**

Pursuant to Section 7.1 of the Franchise Agreement, we hereby approve the site listed below for the operation of your Center.

Approved address:

_____
_____

By signing below, you and we agree that the address identified in Part B above shall be deemed your approved site for your Body & Brain Center established and operated pursuant to the Franchise Agreement.

| Franchisor | Franchisee |
|---|---|
| Body & Brain Center, LLC | _____ |
| By:_____ | By:_____ |
| Name:_____ | Name:_____ |
| Its:_____ | Its:_____ |
| Date: _____ | Date: _____ |

**C. Territory**.

The Territory referenced in the Franchise Agreement shall consist of the following geographic area (as further depicted on the map attached on the following page):

[_____]

*** If there are any changes to the zip codes, streets or the boundaries of the areas that define your Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Territory shall remain defined by the zip codes, streets, or boundaries in effect as of the Effective Date and depicted on the map on the following page.

**ATTACHMENT "C"**

**TO BODY & BRAIN FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

*[See Attached]*

# Lease Addendum

THIS AGREEMENT dated this ___ day of _____, 20__ among Body and Brain Center, LLC, an Arizona corporation, with principal offices located at 1234 S. Power Road, Suite 250, Mesa, Arizona 85206 (the "Franchisor"), _____, a(n)_____, with principal offices located at _____ (the "Landlord"), and _____, a(n)_____, with principal offices located at _____ (the "Tenant/Franchisee").

## Introduction

A. On _____, the Tenant/Franchisee and the Franchisor entered a Body & Brain Franchise Agreement (the "Franchise Agreement"). Under the Franchise Agreement, the Franchisor granted the Tenant/Franchisee the right, and the Tenant/Franchisee undertook the duty, to operate a Body & Brain franchised business (the "Franchised Business") at the Premises (defined below).

B. Simultaneously with entering this Agreement, the Landlord and the Tenant/Franchisee are entering a lease agreement (the "Lease"). Under the Lease, the Tenant/Franchisee leases the premises described in Exhibit "A" (the "Premises").

C. To protect the Franchisor's rights and interests under the Franchise Agreement, the Landlord grants certain rights to the Franchisor under the Lease as set forth below.

## Agreement

The parties, therefore, agree as follows:

1. Notices. At the same time such notices are sent to the Tenant/Franchisee, the Landlord must provide the Franchisor with copies of all written notices of default that it sends to the Tenant/Franchisee. The Landlord agrees to send such copies by first-class mail, postage prepaid, to the Franchisor at its address set forth above or such other address as the Franchisor may notify the Landlord in writing.

2. Right to Cure. If the Tenant/Franchisee defaults under the Lease, the Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. Furthermore, in such event, the Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining the Landlord's or Franchisee's consent. The Franchisor may thereafter assign the Lease to another Body & Brain franchisee or to an entity owned and/or controlled by the Franchisor. If it does, the Franchisor must first obtain the Landlord's written approval of the assignee. The Landlord, however, must neither unreasonably withhold or delay its approval thereof. The Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

3. Right to Assign. At any time (including, without limitation, upon the expiration or sooner termination of the Franchise Agreement) without the Landlord's prior consent, the Tenant/Franchisee may assign the Lease to the Franchisor. In such event, the Franchisor may thereafter assign the Lease to another Body & Brain franchisee or to an entity owned and/or controlled by the Franchisor. If it does, the Franchisor must first obtain the Landlord's written approval of the assignee. The Landlord, however, must neither unreasonably withhold or delay its approval thereof. The Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

4. Right of First Refusal. The Landlord agrees that upon the expiration or termination of the Lease, the Franchisor shall have the first right of refusal to lease the Premises as the new tenant.

5. Expiration or Termination of Franchise Agreement. The Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving the Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant/Franchisee's interests under the Lease in accordance with Section 2 above.

6. Acknowledgement of Rights. The Landlord acknowledges the Franchisor's rights under the Franchise Agreement to enter the Premises to: (i) make any modifications or alterations necessary in the Franchisor's sole discretion to protect its franchise system and its trademarks without being guilty of trespass or any other tort or crime; and (ii) remove any trade fixtures, interior or exterior signs and other items bearing the Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.

7. Modification of Lease. Without the Franchisor's prior written consent, the Landlord and the Tenant/Franchisee may not amend, modify, supplement, terminate, renew or extend the Lease.

8. Miscellaneous.

a. In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.

b. All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.

c. The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.

d. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument. Confirmation of execution by telex or by telecopy facsimile signature page is binding upon any party so confirming or telecopying.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been executed the date and year first above written.

**FRANCHISOR:**

Body and Brain Center, LLC, an Arizona limited liability company

By:_____
Name:_____
Its:_____

**LANDLORD:**

_____, (a)n _____
_____

By:_____
Name:_____
Its:_____

**TENANT/FRANCHISEE:**

_____, (a)n _____
_____

By:_____
Name:_____
Its:_____

EXHIBIT A

Premises

The Premises includes the facility located at the following address:

_____

_____

**ATTACHMENT "D"**

**TO FRANCHISE AGREEMENT**

**ACH AUTHORIZATION FORM**

*[See Attached]*

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

| | |
|---|---|
| Franchisee Name | Business No. |
| Franchisee Mailing Address (street) | Franchisee Phone No. |
| Franchisee Mailing Address (city, state, zip) | |
| Contact Name, Address and Phone number (if different from above) | |
| Franchisee Fax No. | Franchisee E-mail Address |

**Bank Account Information:**

| | | |
|---|---|---|
| Bank Name | | |
| Bank Mailing Address (street, city, state, zip) | | |
| Bank Account No. | ☐ Checking ☐ Savings (check one) | Bank Routing No. (9 digits) |
| Bank Mailing Address (city, state, zip) | | Bank Phone No. |

**Authorization:**

Franchisee authorizes Body and Brain Center, LLC ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of the entries to Franchisee's account. Each debit shall be made in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in the time and manner necessary to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before the change becomes effective.

Signature:_____ Date:_____

Name:_____

Its:_____

Federal Tax ID Number:_____

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK FOR THE BANK ACCOUNT.**

**ATTACHMENT "E"**

**TO BODY & BRAIN FRANCHISE AGREEMENT**

**BRAND PROTECTION AGREEMENT**

*[See Attached]*

**BRAND PROTECTION AGREEMENT**

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of Body and Brain Center, LLC, an Arizona limited liability company, and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

*"Competitive Business"* means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides brain based education, Yoga, Taichi or Qi-Gong.

*"Copyrights"* means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Body & Brain franchisees to use, sell or display in connection with the marketing and operation of a Body & Brain Center, whether now in existence or created in the future.

*"Franchisee"* means the Body & Brain franchisee for whom you are an employee, director, officer, member, partner or independent contractor.

*"Improvements"* means any additions, modifications or improvements to (i) the goods or services offered by a Body & Brain business; (ii) the method of operation of a Body & Brain Center; or (iii) any marketing or promotional ideas relating to a Body & Brain Center, whether developed by you, Franchisee or any other person.

*"Intellectual Property"* means, collectively or individually, our Marks, Copyrights, Know-how, Improvements and System.

*"Know-how"* means all of our and our affiliates' trade secrets and other proprietary information relating to the development or operation of a Body & Brain Center, including, but not limited to, methods, techniques, specifications, procedures, marketing strategies and information comprising the System and the Manual.

*"Manual"* means our confidential operations manual for the operation of a Body & Brain Center.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Body & Brain Center, including "Body & Brain" and "Body & Brain Center". The term "Marks" also includes our distinctive trade dress used to identify a Body & Brain Center, whether now in existence or created in the future.

*"Prohibited Activities"* means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); (iii) selling any Body & Brain products or services to any person who is a current member of or has a customer agreement with a franchisee (other than Franchisee) or company-owned Body & Brain outlet without the consent of the person with whom the person is a member or customer; and/or (iv) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

*"Restricted Period"* means the two (2) year period after you cease to be an employee, director, officer, member, partner or independent contractor of Franchisee; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the one (1) year period after you cease to be an employee, director, officer, member, partner or independent contractor of Franchisee.

*"System"* means our unique system for the operation of a Body & Brain Center, the distinctive characteristics of which include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating

system.

**2. Background.** You are an employee, director, officer, member, partner or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting our Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Our Know-how and Intellectual Property**. You agree: (i) you will not use the Know-how in any business or capacity other than the Body & Brain Center operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an employee, director, officer, member, partner or independent contractor of Franchisee. You further agree that you will not use our Intellectual Property for any purpose other than the performance of your duties for Franchisee within the scope of your employment or other engagement with Franchisee.

**4. Unfair Competition During Relationship**. You agree not to unfairly compete with us at any time while you are an employee, director, officer, member, partner or independent contractor of Franchisee by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship**. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within a 15 mile radius from Franchisee's Body & Brain Center (including the center itself). If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity.

**6. Immediate Family Members**. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable**. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

**8. Breach**. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Body & Brain franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or

in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous**.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of the state of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

This Brand Protection Agreement is executed as of the date or dates set forth below.

**RESTRICTED PARTY**

By: _____

Name: _____

Date: _____

**WITNESS**

By: _____

Name: _____

Date: _____

**ATTACHMENT "F"**

**TO BODY & BRAIN FRANCHISE AGREEMENT**

**STATE ADDENDUM**

[See Attached]

## CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum (the "Addendum") is made and entered into as of _____, 20____ (the "Effective Date"), by and between Body and Brain Center, LLC, an Arizona limited liability company ("we," or "us"), and the franchisee signing this Addendum below ("you").

WHEREAS, you and we are parties to that certain Franchise Agreement (the "Franchise Agreement") that has been signed concurrently with the signing of this Addendum; and

WHEREAS, you and we agree to amend the Franchise Agreement to comply with applicable requirements of the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043.

NOW, THEREFORE, you and we agree that the Franchise Agreement shall be amended in accordance with the terms of this Addendum.

1. Amendments to Franchise Agreement. The Franchise Agreement is hereby amended to incorporate the following provisions:

(a) California Business and Professional code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

(b) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

(c) The Franchise Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

(d) You must sign a general release if you renew or transfers its franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

(e) 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.

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

2. Miscellaneous.

(a) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms, conditions, covenants and agreements set forth in the Franchise Agreement shall remain in full force and effect.

(b) Inconsistency. In the event of any inconsistency between the executed Franchise Agreement and this Addendum, this Addendum shall prevail.

(c) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the date stated on the first page above.

| FRANCHISOR | FRANCHISEE |
| --- | --- |
| Body and Brain Center, LLC | _____,a(n)_____ |
| an Arizona limited liability company | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**EXHIBIT "D"**

**TO DISCLOSURE DOCUMENT**

**TRAINING AGREEMENT**

*[See Attached]*

**BODY AND BRAIN CENTER LLC**

**TRAINING AGREEMENT**

This Training Agreement (this "Agreement") is made and entered into as of _____, 20___ (the "Effective Date") by and between Body and Brain Center, LLC, an Arizona limited liability company ("we" or "us"), and _____ ("you").

## 1 PREAMBLES.

(a) We have developed a unique system (the "System") for the operation of a Body & Brain Center. Distinctive characteristics of the System include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system. We also have been granted a license by BR Consulting, Inc., a New Jersey corporation, to use and sublicense the logotypes, service marks, trademarks and trade dress now or hereafter involved in the operation of a Body & Brain Center, including "Body & Brain," "Body & Brain Center" and any other trademarks, service marks, trade names or trade dress that we designate for use in a Body & Brain Center (collectively, the "Marks").

(b) We grant franchises to individuals that meet our qualifications to establish, develop and operate a Body & Brain Center using the System and the Marks. You have applied for a Body & Brain franchise and received and reviewed our Franchise Disclosure Document.

(c) You have requested that we allow you to attend our franchise training program prior to signing the Franchise Agreement and we have agreed to your request, but only upon the terms and conditions specified in this Agreement.

## 2 CONSENT TO ATTEND TRAINING PROGRAM. IF YOU SIGN THIS AGREEMENT AND PAY US THE TRAINING FEE IN SECTION 3, WE WILL ALLOW YOU TO ATTEND OUR FRANCHISE INITIAL TRAINING PROGRAM THAT BEGINS ON OR AFTER THE EFFECTIVE DATE.

**3 TRAINING FEE**. Prior to attending training, you must pay us an initial training fee of $10,000 (the "Training Fee"), which we will credit against your initial training fee owed if you sign a Franchise Agreement before the expiration of the Franchise Evaluation Period (defined below). We will promptly refund the training fee if you notify us that you will not attend the franchise initial training program before the training program begins. The Training Fee is not refundable under any other circumstances. If you plan to hire a "manager" to operate one of your Body & Brain Centers, you must pay a separate $10,000 training fee for each such manager who attends our training program.

**4 SIGNING OF FRANCHISE AGREEMENT**. If you successfully complete training, you will have a period of 180 days after completion of the training program (the "Franchise Evaluation Period") to sign the Franchise Agreement that we previously offered to you. If either (i) you fail to sign the Franchise Agreement on or prior to the expiration of the Franchise Evaluation Period or (ii) you fail to successfully complete the training program, we shall have no obligation to offer you a franchise and we may keep the training fee in consideration of the training we provided to you. Further, if you do not sign the Franchise Agreement or you fail to successfully complete the training program, you understand that you must still comply with all of the terms of this Agreement.

**5 COVENANTS TO PROTECT OUR INTELLECTUAL PROPERTY**. You agree to comply with all of the provisions in this Section 5, even if you fail to sign a Franchise Agreement during the Franchise Evaluation Period. If you sign a Franchise Agreement during the Franchise Evaluation Period, the provisions in this Section 5 will not apply to you after you sign the Franchise Agreement and the terms of the Franchise Agreement will supersede the terms of this Agreement.

**5.1 Know-how**. We possess trade secrets and other proprietary know-how, including methods, techniques, specifications, procedures, marketing strategies, information comprising the System and the operations manual, as well as information pertaining to the design and operation of a Body & Brain Center (collectively, the "Know-how"). We may disclose certain Know-how to you during the training program. You understand and acknowledge that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms and conditions of the Franchise Agreement in the development and operation of a Body & Brain Center. You acknowledge that the Know-how is proprietary and a trade secret of ours. The Know-how is disclosed to you solely on the condition that you agree, and you do agree, that you: (i) will not use the Know-how in any business or capacity other than the operation of a Body & Brain Center pursuant to the terms of a Franchise Agreement; (ii) will maintain the confidentiality of the Know-how and not disclose any of the Know-how to any person at any time; (iii) will not make unauthorized copies of any portion of the Know-how disclosed in written or electronic form; and (iv) will adopt and implement all reasonable procedures that we require to prevent unauthorized use or disclosure of any of the Know-how.

**5.2 Unfair Competition.** For a period of two (2) years after you complete the training program, you agree that you will not compete with us or other Body & Brain franchisees, whether directly or indirectly. For purposes of the preceding sentence, you will be deemed to compete with us if you acquire, develop, own, operate, maintain or have any interest (including as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative or agent) in any business that: (i) provides brain based education, Yoga, Taichi or Qi-Gong; and (ii) is located within a 15 mile radius from any Body & Brain Center or Dahn Yoga Center that is operating or under construction as of the date you sign this Agreement. This restrictive covenant does not preclude you from owning an interest of five percent (5%) or less in a competitive business that is a publicly traded company.

**5.3 Nonsolicitation.** For a period of two (2) years after you complete the training program, you may not, directly or indirectly, induce or attempt to induce: (i) any franchisee of ours to leave the Body & Brain system; or (ii) any customer of ours, any affiliate of ours or any other Body & Brain franchisee to transfer their business away from us, our affiliate or any other Body & Brain franchisee to you or any other person that is not then a Body & Brain franchisee.

**5.4 Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parents, siblings, children or grandchildren). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to the family member. Therefore, you acknowledge and agree that you will be presumed to have violated the terms of this Agreement if an immediate family member uses or discloses the Know-how or violates the brand protection covenants above during any period of time during which you are subject to such brand protection covenants. You will have the burden to furnish evidence that conclusively rebuts the presumption in the preceding sentence to avoid being in violation of this Agreement.

**5.5 Reasonableness of Covenants & Enforcement.** You acknowledge and agree that: (i) the covenants described in Section 5 are reasonable both in time and in scope of geographic area; and (ii) your failure to adhere strictly to the restrictions of this Section will cause substantial and irreparable damage to us for which there is no adequate remedy at law. Therefore, you acknowledge that any violation of the terms and conditions of Section 5 will give rise to an entitlement to injunctive relief. You agree that we may apply

for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. The parties agree that each section of this Agreement, including each subsection, is severable. In the event that any section or subsection of this Agreement is unenforceable, it will not affect the enforceability of any other section or subsection and each party to this Agreement stipulates and agrees that either (i) the court may impose terms that it deems in its discretion will make the covenants reasonable in terms of their scope, duration and geographical restraint or (ii) we may unilaterally reduce the scope of the covenants to the minimum extent necessary to make them reasonable and enforceable in terms of scope, duration and geographic restraint. You acknowledge and agree that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of these covenants. You waive any right to challenge these covenants as being overly broad, unreasonable or otherwise unenforceable.

**6 REPRESENTATION.** You hereby represent that you received an exact copy of this Agreement at least five (5) business days before the date on which this Agreement is signed.

## 7 MISCELLANEOUS.

**7.1 Binding Agreement.** This Agreement shall be binding upon you and your heirs, personal representatives, successors and assigns, and shall be for the benefit of us and our respective heirs, personal representatives, successors and assigns. All provisions of this Agreement which by their nature survive termination or expiration of this Agreement shall so survive.

**7.2 Governing Law.** This Agreement shall be governed by, construed and enforced under the laws of the State of Arizona, whose courts shall have jurisdiction over any legal proceedings arising out of this Agreement.

**7.3 Attorneys' Fees.** If we retain an attorney or institute a suit against you in any way connected with this Agreement or its enforcement, we (if prevailing) shall be entitled to recover from you reasonable attorneys' fees (not to exceed actual attorneys' fees incurred) and all costs in connection with said enforcement or suit, whether or not suit is filed.

**7.4 Entire Agreement.** This Agreement constitutes the entire agreement and understanding between you and us and supersedes any prior or contemporaneous agreements or understandings, whether written or oral, relating to the matters contained herein, and such agreement and understanding may be altered or amended only by a writing signed by both parties hereto. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

**7.5 Assignment.** You may not assign this Agreement or any of your rights or responsibilities. This Agreement may be assigned by us.

**7.6 Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**IN WITNESS WHEREOF** the parties to this Agreement have signed this Agreement effective as of the Effective Date first above written.

Body and Brain Center, LLC, an Arizona limited liability company

By:_____
Name:_____
Its:_____

**You:**

_____
Name:_____

**EXHIBIT "E"**

**TO DISCLOSURE DOCUMENT**

**GENERAL RELEASE**

*[See Attached]*

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (the "Release") is entered into as of _____ ___, 20___ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Body and Brain Center, LLC, an Arizona limited liability company ("Franchisor," and together with Releasor, the "Parties").

**WHEREAS,** Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a Body & Brain Center;

**WHEREAS,** Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, **[enter into a successor franchise agreement]** and Franchisor has consented to the transfer **[agreed to enter into a successor franchise agreement]**; and

**WHEREAS,** as a condition to Franchisor's consent to the transfer **[Franchisee's ability to enter into a successor franchise agreement]**, Releasor has agreed to sign this Release upon the terms and conditions stated below.

**NOW, THEREFORE,** in consideration of Franchisor's consent to the transfer **[Franchisor entering into a successor franchise agreement]**, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, and intending to be legally bound, Releasor agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations contained in this Release, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. [_____] represents and warrants that he/she is duly authorized to enter into and sign this Release for Franchisee. Releasor represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or for any or all of them, release, acquit and forever discharge Franchisor, all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, the owners or creators of the intellectual property licensed under the Agreement, persons or entities allegedly controlling or acting in concert with Franchisor, persons or entities that referred customers to Releasor, and persons or entities to whom Releasor referred customers, and its and their past and present officers, directors, agents, partners, shareholders, members, founders, managers, employees, representatives, successors and assigns, and attorneys, and the spouses of those individuals (collectively, the "Released Parties"), from all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature no matter what, including all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or involving the signing and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released

Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Arizona.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. If it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in the action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and for the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, founders, managers and the spouses of those individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, that invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if the invalid, illegal or unenforceable provision had not been contained in this Release.

h. The Parties agree to do all other acts and things and to sign and deliver all additional agreements and instruments that any Party may reasonably require to consummate, evidence, or confirm the Release in the matter contemplated.

*[Signature Page Follows]*

**IN WITNESS WHEREOF** Releasor has executed this Release as of the date first written above.

**FRANCHISEE**

_____, a
_____

By:_____
Name: _____
Its: _____
Date: _____

STATE OF_____)
) ss.
County of_____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____.

_____
Notary Public

My commission expires:
_____

**FRANCHISEE'S OWNERS**

By:_____
Name: _____
Date: _____

STATE OF_____)
) ss.
County of_____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____.

_____
Notary Public

My commission expires:
_____

**FRANCHISEE'S OWNERS**

By:_____
Name: _____
Date: _____

STATE OF_____)
) ss.
County of_____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____.

_____
Notary Public

My commission expires:
_____

By:_____
Name: _____
Date: _____

STATE OF_____)
) ss.
County of_____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____.

_____
Notary Public

My commission expires:
_____

**EXHIBIT "F"**

**TO DISCLOSURE DOCUMENT**

**REFERRAL AGREEMENT**

*[See Attached]*

# REFERRAL COMMISSION AGREEMENT

This Referral Commission Agreement ("Agreement") is made this _____ day of _____, 20____ ("Effective Date"), between Body & Brain Yoga and Health Centers, Inc. ("we," "our," "ours" or "us") and the undersigned entity or individual ("you", "your" or "yours"). You and we are each referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, we are experienced in providing programs related to yoga, Tai-Chi, and other mind-body practices;

WHEREAS, you operate a business that has customers who may be interested in our programs; and

WHEREAS, you wish to introduce us to your customers in exchange of referral commissions, and we wish to enter into an arrangement to do so.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the adequacy and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

**1. Definitions**

(1) "Program" means our programs listed in Schedule A or developed after the Effective Date for which we will have determined to pay a referral commission.

(2) "Net-of-tax Payment" means a payment actually received by us for a Program excluding all state, local, or county sales taxes.

**2. Program Referral and Commission**

(1) You will promote us in your recruitment efforts with your active customers and from time to time introduce the Programs to your customers.

(2) If you refer a person to a Program, for each payment actually made for the Program, you will be entitled to a commission equal to the Net-of-tax Payment times the commission rate specified in Schedule A ("Commission"). To be eligible for a Commission, the person referred must have a valid membership with you and/or an agreement for a Program bearing your signature or stamp. The commission rate for a Program developed after the Effective Date will be determined by us. All Programs and commission rates thereof are subject to changes by us. You will be given 2 weeks' written notice of any modifications or changes to the Programs and/or the commission rates.

(3) The Commission for a payment made for a Program in connection with a referral shall be paid as follows:

(a) COMMISSION AND PROCEDURES FOR PAYMENT BY CASH: If the payment is made in cash, you will deposit the entire amount of the payment into an account designated by us ("Designated Account") within 3 business days after the receipt of the payment, and we will pay you the Commission for the payment within 3 weeks after the deposit.

(b) COMMISSION AND PROCEDURES FOR PAYMENT BY CHECK: If the payment is made by check, you must instruct the payer to make the check payable to us and deposit the check into the Designated Account within 3 business days after the receipt of the check, and we will pay you the Commission for the payment within 3 weeks after the deposit.

(c) COMMISSION AND PROCEDURES FOR PAYMENT BY CREDIT OR DEBIT CARD: If the payment is made by credit or debit card, you must instruct the payer to provide the credit or debit card number and other card information as designated by us ("Card Information"), and submit the Card Information to us within 3 business days after the receipt of the Card Information, and we will pay you the Commission for the payment within 3 weeks after you submit the Card Information to us.

(4) In order to address possible constant changes in the sales strategies for the Programs and occasional additions, deletions and modifications in the contents of the Programs, you will cause your salespersons to attend, and we will provide such salespersons with, reasonable continuing education and training.

**3. Refund**

If there is a request for a refund attributable to a payment for which you have been paid a commission, we, but not you, will determine whether to accept the refund request and the percentage of the payment to be refunded ("Refund Percentage"). If we decide to accept the refund request, you will reimburse us the Refund Percentage of the Commission within 3 weeks after you are given notice that the refund has been paid.

**4. Indemnification**

You agree to indemnify and hold harmless us, our affiliates, subsidiaries, business licensors, referring persons or entities, persons or entities allegedly controlling or acting in concert with us, persons or entities participating in the delivery of the Programs, owners or creators of any training methods or intellectual property used for the Programs or by us and owners or lessors of the premises used for the Programs and all their respective employees, agents, principals, contractors, managers, officers, directors, founders, shareholders, successors and assigns, including, but not limited to, Body and Brain Center, LLC ("Indemnified Parties") from and against any and all losses and expenses as a result of or in connection with any claim asserted against you and/or any of the Indemnified Parties arising from the marketing, use or operation of your business and/or breach of obligations that you owe any of the Indemnified Parties.

**5. Dispute Resolution**

Unless otherwise prescribed by law, the Parties agree to submit any claim, dispute or disagreement of any type whatsoever that arises out of, or relates in any way to, this Agreement or the relationship between you and any of the Indemnified Parties ("Dispute") to mediation before a mediator that the Parties will have selected jointly prior to arbitration. If the Dispute cannot be resolved by mediation, the dispute will be submitted to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators will not have authority to award exemplary or punitive damages. The arbitrators shall adhere to the terms of this Agreement and shall have no power to add to or modify said terms. All mediation, arbitration and litigation shall take place in the County of Maricopa, the State of Arizona. If this Agreement must be enforced in a judicial or arbitration proceeding, the substantially prevailing Party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. THE PARTIES IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY.

**6. Termination**

(1) Either Party can terminate this Agreement by providing 30 days written notice. However, the Parties will still be entitled to receive any payment due at the time of the termination pursuant to the arrangement

as set forth above.

(2) All provisions that expressly or by their nature survive the termination, expiration or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or transfer and until they are satisfied in full or by their nature expire, including, without limitations, paragraphs 3 through 8.

**7. Entire Agreement and Enforcement**

This Agreement supersedes and integrates any previous oral or written agreements relating to the subject matter and may not be changed, modified, or discharged except by written instrument duly executed by the Parties. If we do not enforce any right in this Agreement for any reason, it does not waive its right to enforce it later.

**8. Severability**

If any provision, subsection, phrase or sentence of this Agreement, including any subparts, is found to be void, invalid, or unenforceable by a court of competent jurisdiction, that provision shall be severed but the remaining portions of this Agreement, including all subparts, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have hereto executed this Agreement effective as of the Effective Date.

| WE: | YOU: |
|---|---|
| Body & Brain Yoga and Health Centers, Inc., an Arizona corporation | _____ |
| Address: _____ | Address: _____ |
| By: _____ | Sign: _____ |

## Schedule A

| No. | Program Name | Commission Rate |
|---|---|---|
| 1 | Brain Management Training | 40% |
| 2 | Dahn Master Course | 40% |
| 3 | DMD Black Level 1 | 40% |
| 4 | DMD Black Level 2 | 40% |
| 5 | DMD Blue Belt | 40% |
| 6 | DMD Red Belt | 40% |
| 7 | Finding True Self | 40% |
| 8 | GwangMyung Arrow Training | 20% |
| 9 | Heroes Camp | 0% |
| 10 | IA | 40% |
| 11 | Internship | 0% |
| 12 | Korea Meditation Tour | 20% |
| 13 | Life Transformation Course | 40% |
| 14 | Love Heals Retreat | 40% |
| 15 | MIT | 0% |
| 16 | New Zealand Meditation Tour | 20% |
| 17 | Power Brain Training | 40% |
| 18 | Private Session | 40% |
| 19 | Regional Workshop | 40% |
| 20 | Regular Class Membership (First time only) | 30% |
| 21 | Solar Body Qigong | 40% |
| 22 | Special Training_B.W. (Regional) | 40% |
| 23 | Special Training_C.H. (Regional) | 40% |
| 24 | Special Training_C.S. (Regional) | 40% |
| 25 | Special Workshop | 30% |
| 26 | GongSaeng Unki | 20% |
| 27 | Tenerife Meditation Tour | 20% |
| 28 | WaterUpFireDown Retreat | 40% |
| 29 | Wisdom Pathways | 20% |

**EXHIBIT "G"**

**TO DISCLOSURE DOCUMENT**

**SOFTWARE SERVICE AGREEMENT**

*[See Attached]*

# SOFTWARE SERVICE AGREEMENT

This Software Service Agreement ("Agreement") is entered into as of _____, 20___ ("Effective Date"), and is between Body & Brain Yoga and Health Centers, Inc. ("Provider") and the undersigned client ("Client"). Provider and Client are each referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry;

WHEREAS, Client is in need of software for accounting and customer management; and

WHEREAS, Client wishes to receive from Provider, and Provider wishes to provide to Client, certain software service subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the adequacy and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

## Article 1. TERM AND TERMINATION

Section 1.1. Term. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of 1 month unless sooner terminated pursuant to the terms of this Agreement ("Term"). The Term shall be extended for additional, consecutive 1 month periods, unless either Party gives the other Party written notice of termination at least 30 days prior to the expiration of the then current Term.

Section 1.2. Termination. This Agreement may be terminated by the mutual consent of the Parties. Either Party may terminate this Agreement for violation by the other Party of any material terms or conditions of this Agreement, provided that written notice has been given to such other Party of the circumstances of such default and, where the default is capable of remedy, such other Party does not remedy the default within 10 days after receipt of the written notice.

## Article 2. PROVIDER OBLIGATIONS

Section 2.1. Software Service. During the Term, Provider will provide or cause to be provided software service with regard to the following as may be amended in writing by the Parties from time to time ("Software Service"): Providing and maintaining the BRMNet software, a web-based point of sale system designed to be used in electronically managing accounting, customer relationships, and customer contracts, for the operation of one wellness business.

Section 2.2. Restoration of Data. If Client's machine-readable files are lost, destroyed or impaired, Provider will attempt to recover a prior version of the files from back-up media maintained by Provider. If Provider is unable to restore Client's files from back-up media, Provider will use commercially reasonable efforts to perform such restoration as can reasonably be performed using machine-readable source data furnished by Client. Any recovery or restoral efforts in addition to the foregoing or with respect to Client's files that are lost, destroyed, or impaired by the acts or omissions of Client or its personnel or third party contractors will be performed under mutually agreed-upon terms and conditions.

## Article 3. CLIENT OBLIGATIONS

Section 3.1. Fees for Software Service. During the Term, Client shall pay to Provider for the Software Service as follows: The monthly fee for the Software Service is $40.

Section 3.2. Provider Policies. Client will comply with Provider's reasonable policies, procedures, requirements, and restrictions with respect to Client's use of the Software Service.

Section 3.3. Cooperation. In order to enable Provider to perform the Software Service, Client and Provider will provide such mutual cooperation and assistance as reasonably requested by the other Party. Such cooperation and assistance shall include providing to Provider in a timely manner answers to questions, information, technical consultation, and, where applicable, acceptances. Provider shall be excused from performing its obligations to the extent Provider's performance is actually prevented or hindered by:

(a) Client's nonperformance;

(b) the failure by Client personnel or any Client third-party contractor to adequately perform its tasks related to the Software Service;

(c) unreasonable, untimely, inaccurate, or incomplete information from Client;

(d) the failure of any hardware or software that is not the fault of Provider; or

(e) the occurrence of an event described in Section 10.1 of this Agreement;

Client agrees that, in connection with the foregoing, Provider shall be entitled to an extension of time to complete the affected Software Service and, if applicable, an adjustment of the applicable fees.

## Article 4. INTELLECTUAL PROPERTY RIGHTS

Section 4.1. Provider Intellectual Property. Provider shall have sole and exclusive ownership of all right, title, and interest in and to:

(a) The Software Service (including any images, photographs, animations, video, audio, music, text, and applets provided by Provider);

(b) All derivatives, modifications and enhancements thereof (including ownership of all trade secrets and copyrights pertaining thereto), subject only to the rights and privileges expressly granted to Client herein by Provider; and

(c) The portion of Client Data (as defined in Section 4.5 of this Agreement) aggregated with data obtained from other persons for the purposes of, among other things, producing indices, statistics, summaries, and industry reports for use by Provider or its other clients.

Section 4.2. Rights Granted. Provider grants Client a non-exclusive, non-transferable right to access, use, display, run, or otherwise interact with the Software Service subject to the terms and conditions set forth in this Agreement.

Section 4.3. Limitation on Rights Granted. Provider reserves all rights not expressly granted herein.

Section 4.4. Restrictions. Client shall not, in whole or in part, directly or indirectly:

(a) reverse engineer, disassemble, decompile, translate, reproduce, modify, alter or otherwise attempt to access or derive the source code or the underlying ideas, algorithms, structure or organization of the Software Service or reduce the Software Service to a human-perceivable form;

(b) remove any copyright notices, logos, identification or any other proprietary notices from the Software Service;

(c) make any change to the Software Service or create any derivative works thereof;

(d) publish, sell, rent, lease, sublicense, transfer, transmit, resell, or distribute the Software Service or any part thereof; and

(e) share the rights to access and/or utilize the Software Service with any third party without prior written approval of Provider.

Section 4.5. Ownership of Client Data. Data stored by Client on Provider's host computer system using the Software Service ("Client Data") is owned by Body and Brain Center, LLC but may be used by Client during the term of its Body & Brain Franchise Agreement unless a member transfers its membership or customer agreement to another location or franchisee, in which case Provider may transfer such Client Data pertaining to the member to such other location or franchisee and Client will have no further rights or access to such transferred Client Data.

## Article 5. CONFIDENTIALITY

Section 5.1. Non-Disclosure of Confidential Information. By virtue of this Agreement, a Party may have access to information that is confidential to the other Party ("Confidential Information"). Confidential Information includes, but is not be limited to:

(a) Confidential and proprietary information supplied with the legend "Confidential" or equivalent;

(b) Marketing and customer support strategies, financial information (including revenue, costs, profits and pricing methods), internal organization, employee information, and customer lists;

(c) Technology, including inventions, development efforts, data, software, trade secrets, processes, methods, product and know-how and show-how;

(d) Information of third parties as to which the non-disclosing Party has an obligation of confidentiality; and

(e) All derivatives, improvements, additions, modifications, and enhancements to any of the above, including any such information or material created or developed under this Agreement.

The Confidential Information shall not include information that: (a) is or becomes a part of the public domain through no act or omission of the disclosing Party; (b) was in the disclosing Party's lawful possession prior to the disclosure and had not been obtained by the disclosing Party either directly or indirectly from the non-disclosing Party; (c) is lawfully disclosed to the disclosing Party by a third party without restriction on disclosure; or (d) is independently developed by the disclosing Party. Each Party agrees to hold the other Party's Confidential Information in confidence during the Term and for a period of two years after expiration or sooner termination of this Agreement. Each Party agrees, unless required by law, not to make the other Party's Confidential Information available in any form to any third party (except to the disclosing Party's agents or independent contractors) for any purpose other than the implementation of this Agreement. Each Party agrees to take all reasonable steps to ensure that its employees, agents or independent contractors do not disclose or distribute the other Party's Confidential Information in violation of the terms of this Agreement.

## Article 6. WARRANTIES AND DISCLAIMER

Section 6.1. Due Authorization. Each Party represents and warrants that such Party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

Section 6.2. Binding Agreement. Each Party represents and warrants that this Agreement is a legal

and valid obligation binding upon it and enforceable with its terms.

Section 6.3. Other Representation, Warranties and Covenants. Provider covenants, represents and warrants that it will render the Software Service in compliance with all applicable laws and regulations and the Software Service and the provision thereof will not violate any rights of any third parties. Client covenants, represents and warrants that the rendition of the Software Service will not require Provider to violate the laws or rights of any third parties.

Section 6.4. Disclaimer. Except as specifically provided in this Agreement, neither Party makes, and each Party expressly disclaims, any representations or warranties in connection with this Agreement, whether express, implied, statutory or otherwise, including, without limitation, warranties of merchantability, fitness for a particular purpose, non-infringement of third party rights, title, any warranties arising out of a course of performance, dealing or trade usage, and their equivalents under the laws of any jurisdiction.

## Article 7. INDEMNIFICATION

Section 7.1. Indemnification. Each Party ("Indemnifying Party") agrees to indemnify and hold harmless the other Party ("Indemnified Party") from and against any and all claims, damages, liabilities, losses, judgments, costs, and attorneys' fees arising directly out of, or relating to:

(a) the Indemnifying Party's gross negligence or willful misconduct in engaging in the activities under this Agreement, or

(b) any allegation that a material furnished by the Indemnifying Party and used by Indemnified Party under this Agreement infringes copyrights, trademarks or other legal rights.

Notwithstanding the foregoing, the Indemnified Party shall have the right, in its absolute discretion and at its sole cost, to employ attorneys of its own choice and to institute or defend any claim for which the Indemnified Party has a right to be indemnified.

Section 7.2. Exclusion. Except as expressly set forth in Section 7.1 of this Agreement, neither Party shall have any obligations to indemnify the other Party.

## Article 8. LIMITATION OF LIABILITY

Section 8.1. Limitation of Liability. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL THE PARTIES BE LIABLE, WHETHER IN CONTRACT, IN TORT, OR UNDER ANY OTHER LEGAL THEORY (INCLUDING, BUT NOT LIMITED TO STRICT LIABILITY AND NEGLIGENCE) FOR LOST PROFITS OR REVENUES, LOSS OR INTERRUPTION OF USE, LOST OR DAMAGED DATA, REPORTS, DOCUMENTATION, OR SECURITY, OR SIMILAR ECONOMIC LOSS, LOSS OF PRIVACY, OR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR SIMILAR DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL PROVIDER BE LIABLE FOR ANY CLAIM MADE AGAINST CLIENT BY ANY OTHER PARTY, EVEN IF PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH CLAIM. IN NO EVENT SHALL PROVIDER'S LIABILITY UNDER ANY CLAIM MADE BY CLIENT EXCEED THE TOTAL AMOUNT OF FEES THERETOFORE PAID BY CLIENT IN THE CURRENT CONTRACT YEAR.

## Article 9. DISPUTE RESOLUTION

Section 9.1. Dispute Resolution. Unless otherwise prescribed by law, the Parties agree to submit

any claim, dispute or disagreement of any type whatsoever that arises out of, or relates in any way to, this Agreement or the relationship between the Parties ("Dispute") to mediation before a mediator that the Parties will have selected jointly prior to arbitration. If the Dispute cannot be resolved by mediation, the Dispute will be submitted to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators will not have authority to award exemplary or punitive damages. The arbitrators shall adhere to the terms of this Agreement and shall have no power to add to or modify said terms. All mediation, arbitration and litigation shall take place in the State of Arizona. If this Agreement must be enforced in a judicial or arbitration proceeding, the substantially prevailing Party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. Unless Prohibited by applicable law, any Dispute must be brought by filing a written demand for arbitration (or if permitted, litigation) within one (1) year following the conduct, act or other event or occurrence giving rise to the claim or the right to any remedy will be deemed forever waived and barred. The Parties irrevocably waive: (i) trial by jury; and (ii) the right to arbitrate or ligate on a class action or any other representative basis, in any action, proceeding or counterclaim, whether at law or in equity.

## Article 10. GENERAL PROVISIONS

Section 10.1. Force Majeure. Neither Party shall be liable for damages for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control and without its fault or negligence, including, but not limited to, act of God or of the public enemy, acts of the government, fires, floods, epidemics, strikes, labor disturbances or freight embargoes (but not including delays caused by subcontractors or suppliers).

Section 10.2. Relationship of Parties. The relationship between the Parties will be that of independent contractors. Nothing herein contained shall be deemed or construed by the Parties as creating the relationship of principal and agent or of partnership, joint employers or joint venture by the Parties, and neither Party will have the right, power or authority to make any claims, representations or warranties, or create any obligation, express or implied, on behalf of the other Party, or otherwise bind the other Party.

Section 10.3. Assignment and Delegation. Client shall not voluntarily, by operation of law, or otherwise assign any of its rights or delegate any of its duties, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or part of its rights, duties, or other interests in this Agreement or the proceeds thereof without the written consent of Provider. Any attempt to make an assignment or delegation in violation of this provision shall be a material default under this Agreement and any assignment or delegation in violation of this provision shall be null and void.

Section 10.4. Parties Bound. This Agreement inures to the benefit of and is binding upon the Parties, their respective heirs, executors, administrators, legal representatives, successors and assigns. This Section 10.4 does not address, directly or indirectly, whether a Party may assign its rights or delegate its performance under this Agreement. Section 10.3 of this Agreement addresses these matters.

Section 10.5. Governing law. This Agreement shall be subject to and governed by the laws of the State of Arizona, without giving effect to its conflicts of law principles.

Section 10.6. Titles and Captions. All article, section, or paragraph titles or captions contained in this Agreement are for convenience only and are not deemed part of the context thereof.

Section 10.7. Entire Agreement; Amendments. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes and integrates all prior agreements, representations and understandings of the Parties, written or oral. This Agreement may not be changed, modified or discharged except by written instrument duly executed by the Parties. Nothing in this

Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

Section 10.8. Waiver. Unless otherwise specified herein, the failure by a Party to require performance of any provision shall not affect that Party's right to require performance at any time thereafter, nor shall a waiver of any breach or default of this Agreement constitute a waiver of any subsequent breach or default or a waiver of the provision itself.

Section 10.9. Notices. All notices under this Agreement shall be in writing.

Section 10.10. Severability. If any provision of this Agreement is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable. If a court of competent jurisdiction declines to amend this Agreement as provided herein, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

Section 10.11. Counterparts. This Agreement may be executed in one or more counterparts and such counterparts taken together shall constitute a single instrument. Delivery of an executed counterpart of this Agreement by electronic means, including, but not limited to, by facsimile transmission or by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing original initials or signatures.

Section 10.12. Survival of Termination. Termination or expiration of this Agreement for any reason shall not release either Party from any liability which at the time of such termination or expiration has already accrued to the other Party. Without limiting the foregoing, payments that became payable prior to termination or expiration of this Agreement shall remain payable after termination or expiration in accordance with the terms and conditions of this Agreement that were in effect immediately prior to the date of termination or expiration. In addition, Article 4 through Article 10 of this Agreement shall survive any termination or expiration of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

| PROVIDER: | CLIENT: |
|---|---|
| Body & Brain Yoga and Health Centers, Inc., an Arizona corporation | _____ |
| Address: _____ | Address: _____ |
| By: _____ | Sign: _____ |

**EXHIBIT "H"**

**TO DISCLOSURE DOCUMENT**

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**EXHIBIT "I"**

**TO DISCLOSURE DOCUMENT**

**STATE ADDENDUM**

## California Addendum

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document.

2. Neither we nor any person or franchise broker in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

7. The franchise agreement requires binding arbitration. The arbitration will occur in Maricopa County, Arizona with the initial costs being borne by the filing party.

8. 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.

9. The franchise agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

11. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at http://www.dfpi.ca.gov/.

**EXHIBIT "J"**

**TO DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**Part A (Body & Brain Center Franchisees as of December 31, 2024)**

| State | City | Address | Phone | Owner Name(s) |
|---|---|---|---|---|
| California* | Anaheim | 5753 E. Santa Ana Canyon Rd.<br>Anaheim, CA 92807 | 714-283-0046 | Woo Myung Son<br>(Holistic Yoga & Health, LLC) |
| California | Garden Grove | 13041 Galway St., Unit D,<br>Garden Grove, CA 92844 | 714-537-3499 | Woo Myung Son<br>(Holistic Yoga & Health, LLC) |
| California | Irvine | 4940 Irvine Blvd., Ste. 109<br>Irvine, CA 92620 | 714-669-8330 | Kyungmin Kim<br>(HongIk, LLC) |
| California | Rolling Hills | 916 Silver Spur Rd Ste 306,<br>Rolling Hills Estates CA 90274 | 310-265-9642 | Jin Young Kim |
| California* | Westminster | 14342 Jacaranda Ln.<br>Westminster, CA 92683 | 703-359-7282 | Huy Nguyen |
| Colorado | Golden | 1211 Avery St.<br>Golden, CO 80403 | 303-278-0382 | Maxine Wagoner<br>(Golden Body & Brain Yoga & Taichi, LLC) |
| Florida | Miami | 12851 SW 42nd St., Ste. 107<br>Miami, FL 33175 | 786-332-3337 | Jiyong Kong<br>(STI Network, Inc.) |
| Florida | Coral Gables | 1911 Ponce de Leon Blvd.<br>Coral Gables, FL 33134 | 305-443-7617 | Jiyong Kong<br>(STI Network, Inc.) |
| Florida | Pinecrest | 9719 SW Dixie Hwy., #8<br>Pinecrest, FL 33156 | 305-640-8736 | Jiyong Kong<br>(STI Network, Inc.) |
| Georgia* | Atlanta | 4200 Paces Ferry Rd. SE., Ste. 172<br>Atlanta, GA 30339 | 770-993-8555 | Penelope Costanzo<br>(PPC Group, LLC) |
| Illinois* | Crystal Lake | 5899 Northwest Hwy., Unit B<br>Crystal Lake, IL 60014 | 815-347-2659 | Viorel Neil Achim |
| Illinois | Norridge | 7825 W. Lawrence Ave.<br>Norridge IL 60706 | 708-716-3106 | JoAnn Dickson, Randy Dickson |
| Illinois | Skokie | 3421 Dempster St.<br>Skokie, IL 60076 | 847-410-7209 | Kenneth Hong |
| Massachusetts | Lawrence | 290 Merrimack St.<br>Lawrence, MA 01843 | 978-688-5200 | Barbara Maffeo & Sholeh Gharib |
| Minnesota | Minnetonka | 11012 Cedar Lake Rd.<br>Minnetonka, MN 55305 | 952-513-7285 | Hong Young Kim<br>(Chun Hwa Yoga, LLC) |
| New Jersey | Wyckoff | 525 Cedar Hill Ave. 2nd floor<br>Wyckoff, NJ 07481 | 201-444-6020 | John Thompson<br>(Chakra Healing, LLC) |
| New York | Kew Gardens Hills | 147-37 Charter Rd.<br>Kew Gardens Hills, NY 11435 | 718-969-1932 | Dvusha Kamerman<br>(Integrative Yoga, LLC) |
| New York | Lynbrook | 29 Hempstead Ave.<br>Lynbrook, NY 11563 | 516-612-3737 | Rose Brun<br>(Body n Brain Holistic Yoga, LLC) |
| New York | Mineola | 365 Hillside Ave.<br>Mineola, NY 11501 | 516-506-7659 | Joyce Peprah<br>(Body & Brain Center Yoga Tai Chi, LLC) |
| North Carolina | Raleigh | 6300 Creedmoor Rd., Ste. 120<br>Raleigh, NC 27613 | 919-518-0890 | Susan Lee<br>(Blue Heron Healing, LLC) |
| Oregon | Beaverton | 14845 SW Murray Scholls Dr Ste 106,<br>Beaverton, OR 97007 | 971-427-0250 | Junie Lee |

| State | City | Address | Phone | Owner Name(s) |
|---|---|---|---|---|
| Oregon | West Linn | 18750 Willamette Dr. West Linn, OR 97068 | 503-657-3673 | Cindy Park (Holistic Fitness Yoga & Tai Chi, LLC) |
| Texas | Magnolia | 4849 FM 1488 Ste 600, Magnolia, TX 77354 | 936-235-4924 | Cherie Clark-Moore (The Mindfulness Studio LLC) |
| Virginia | Centreville | 14098 Lee Hwy, Centreville, VA 20120 | 703-266-5363 | Donggun Moon (Namoo Yoga, Inc) |
| Washington | Everett | 1319 Hewitt Ave. Everett, WA 98201 | 425-512-9277 | Maki Perry (Mago's Dream, LLC) |

* These franchisees ceased operations, but did not leave the system because they are continuing their franchise agreements with the possibility of re-opening their outlets. Since their franchise agreements remain in effect, they are franchisees on "inactive status." Their outlets are also counted as "ceased operations" in Table 3 of Item 20.

** These franchisees have signed franchise agreements but were not yet opened as of December 31, 2024.

**Part B (Former Body & Brain Center Franchisees Who Left System During Prior Fiscal Year)**

| State | City | Current Business Phone or Last Known Home Phone | Owner Name(s) |
|---|---|---|---|
| Minnesota | Maple Grove | 763-208-4246 | Kim, Hong Young |
| New York | Franklin Square | 516-673-4140 | Krescher, Maryann |
| Washington | Lynnwood | 425-776-9642 | Windle, Chris |

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

**EXHIBIT "K"**

**TO DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

*[See Attached]*

# BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2024 and 2023

with

Independent Auditors' Report

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LOS ANGELES, CA 90010

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# INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

**Opinion**

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2024 and 2023, and the related statement of income, changes in member's equity, and cash flows for the years then ended, as well as the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 the Company'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 the Company'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.

ABC CPAs
Los Angeles, CA

February 5, 2025

**BODY AND BRAIN CENTER, LLC**
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2024 and 2023

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**BODY AND BRAIN CENTER, LLC**
Balance Sheet
As of December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 82,004 | $ 119,107 |
| Accounts receivable, Net | 24,495 | 19,300 |
| Interest receivable | 712 | 840 |
| Note receivable | 280,000 | 380,000 |
| Prepaid expenses | 6,372 | 13,120 |
| **Total Current Assets** | 393,583 | 532,367 |
| Non Current Assets | | |
| Goodwill | 12,885 | 12,885 |
| Website, net | 36,125 | 43,350 |
| Security deposits | 3,325 | 3,325 |
| **Total Non Current Assets** | 52,335 | 59,560 |
| Restricted cash | 539,884 | 494,838 |
| Operating lease right-of-use assets | 17,970 | 50,965 |
| **Total Assets** | $ 1,003,773 | $ 1,137,730 |
| **Liabilities and Member's Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 27,232 | $ 90,634 |
| Accrued liabilities | 18,889 | 18,680 |
| Deferred revenue | 19,540 | 19,540 |
| Other payable | 168 | 38 |
| Operating lease liabilities, current portion | 18,233 | 43,394 |
| Unearned revenue, current portion | 17,168 | 26,628 |
| **Total Current Liabilities** | 101,231 | 198,914 |
| **Non Current Liabilities** | | |
| Operating lease liabilities, net of current portion | - | 8,633 |
| Unearned revenue | 18,456 | 14,380 |
| **Total Non Current Liabilities** | 18,456 | 23,013 |
| **Total Liabilities** | 119,686 | 221,927 |
| **Member's Equity** | 884,086 | 915,803 |
| **Total Liabilities and Equity** | $ 1,003,773 | $ 1,137,730 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Revenue** | | |
| Royalties | $ 206,645 | $ 200,578 |
| Initial franchise fee | 6,733 | 7,800 |
| Transfer Fee | - | 3,000 |
| Franchise renewal fee | 6,059 | 6,061 |
| Owner Training fee | 20,000 | - |
| Advertising fund fee | 72,455 | 70,651 |
| Membership income | 37,156 | 44,612 |
| Private lesson | 31,503 | 32,100 |
| Registration fee | 3,307 | 2,619 |
| Retail | 591 | - |
| Commission Income | 7,536 | 8,058 |
| **Total Revenue** | 391,985 | 375,479 |
| **Cost of Goods Sold** | | |
| Cost of Goods Sold | 421 | - |
| **Total Cost of Goods Sold** | 421 | - |
| **Gross Profit** | 391,564 | 375,479 |
| **Operating Expenses** | 471,061 | 463,738 |
| **Operating Income** | (79,497) | (88,259) |
| **Other Income** | | |
| Interest income | 32,289 | 24,309 |
| Employee leasing income | 13,500 | 13,180 |
| Other income | 1,991 | 57,666 |
| **Other Income** | 47,780 | 95,155 |
| **Net Income** | (31,717) | 6,896 |
| **Beginning Member's Equity** | 915,803 | 908,907 |
| **Ending Member's Equity** | $ 884,086 | $ 915,803 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statement of Cash Flows
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net Income | $ (31,717) | $ 6,896 |
| Adjustments to reconcile net income to net cash provided by operationg activities | | |
| Amortization | 7,225 | - |
| Operating lease right-of-use assets | 32,995 | 32,250 |
| Operating lease liabilities | (33,794) | (32,049) |
| Changes in operating assets and liabilities : | | |
| (Increase) decrease in | | |
| Accounts receivable | (5,195) | (51) |
| Interest receivable | 127 | (246) |
| Others receivable | - | 200 |
| Note receivable | 100,000 | - |
| Prepaid expenses | 6,748 | (8,089) |
| Increase (decrease) in | | |
| Accounts payable | (63,402) | 9,829 |
| Accrued liabilities | 210 | (464) |
| Deferred revenue | - | (51,000) |
| Other payable | 130 | (2,382) |
| Unearned revenue | (5,384) | 8,573 |
| Net cash provided by (used in) operating activities | 7,942 | (36,531) |
| **Cash Flows from Investing Activities** | | |
| Website | - | (43,350) |
| Net cash provided by (used in) investing activities | - | (43,350) |
| **Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash** | 7,942 | (79,881) |
| **Cash, Cash Equivalents and Restricted Cash - Beginning of year** | 613,945 | 693,826 |
| **Cash, Cash Equivalents and Restricted Cash - End of year** | $ 621,887 | $ 613,945 |

See accompanying accountants' audited report and notes to financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

### Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2024, the Company has $539,884 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2024, the allowance for doubtful accounts was $5,783.

Accounts receivable is consisted of the following:

| | December 31, 2024 |
|---|---|
| Account Receivable | $ 30,278 |
| Less: allowance for doubtful accounts | ( 5,783) |
| | $ 24,495 |

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue (Continued)

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $19,540 and $19,540 as of December 31, 2024 and 2023, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $3,371 and $20,430 for the years ended December 31, 2024 and 2023, respectively.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13").* Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company beginning January 1, 2023. The Company is currently evaluating the effect of this ASU on the Company's financial statements and related disclosures.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Company adopted this alternative to evaluating goodwill effective January 1, 2022.

In March 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-02, titled *Codification Improvements—Amendments to Remove References to the Concepts Statements*. This update removes references to the FASB's Conceptual Framework from the Accounting Standards Codification to clarify that Concepts Statements are non-authoritative. The amendments are effective for public business entities for fiscal years beginning after December 15, 2024, and for all other entities for fiscal years beginning after December 15, 2025.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements (Continued)

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This update enhances the transparency of income statement expenses by requiring entities to disaggregate certain expense categories to provide more detailed disclosures about expense types commonly reported under captions such as cost of sales, selling, general and administrative expenses, and research and development expenses. This change is intended to address investor requests for more granular expense information. The amendments are effective for public business entities for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. While the Company is not classified as a public business entity, this update is included for reference.

The Company will continue to monitor developments related to this ASU and assess any potential implications for its financial statements and related disclosures.

**NOTE B – NOTE RECEIVABLE**

Promissory Note Agreement

On June 9, 2024 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 5.47% per year. Borrower shall make a monthly payment in the amount of $1,048.42 for interest. The unpaid principal shall be payable in full on or before June 9, 2025 (the "Due Date").

On September 21, 2024 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 4.73% per year. Borrower shall make a monthly payment in the amount of $591.25 for interest. The unpaid principal shall be payable in full on or before September 21, 2025 (the "Due Date).

On November 8, 2024, the Company received a payment of $100,000 from the $380,000 note receivable. Following this payment, the existing two notes were consolidated, and a new note agreement for the remaining $280,000 was executed on November 9, 2024.

Under the terms of the new agreement, Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower"), has agreed to repay the Company (the "Lender"), the principal amount of $280,000, with interest accruing at 4.36% per annum. The Borrower is required to make monthly interest payments of $1,017.33, with the unpaid principal balance due in full on or before November 9, 2025 (the "Due Date).

**NOTE C - RELATED PARTY TRANSACTIONS**

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $58,783, for the year ended December 31, 2024.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2024 and 2023, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall be month-to-month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2024 and 2023, respectively.

Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to $18,000 and $18,000 for the years ended December 31, 2024 and 2023, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC.

**NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)**

Employee Lease Agreements (Continued)

Employee leasing expense under the agreement amounted to $49,800 and $51,600 for the years ended December 31, 2024 and 2023, respectively.

**NOTE D – COMMITMENTS AND CONTINGENCIES**

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

| | 2024 | 2023 |
|---|---|---|
| Royalties | $ 206,645 | $ 200,578 |
| Initial franchise fees | 6,733 | 7,800 |
| Transfer Fee | - | 3,000 |
| Franchise renewal fees | 6,059 | 6,061 |
| Owner training fees | 20,000 | - |
| Advertising fund fees | 10,217 | 9,909 |
| Revenues from franchised centers | $ 249,654 | $ 227,348 |

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

**NOTE D – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Licensing Agreement (Continued)

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2024, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of $2,060.

License expenses under this agreement totaled $111,939 and $105,963 for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Company owed $2,006 to BR Consulting Inc., which is included in accounts payable in the accompanying 2024 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2024:

| **Year ending December 31,** | |
|---|---|
| 2025 | $ 8,666 |
| Total lease payments | 8,666 |
| Less: Effects of discounting | 33 |
| Present value of lease liabilities | $ 8,633 |

Rent and lease expense totaled $54,571 for the year ended December 31, 2024.

**NOTE D – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Leased Facilities (Continued)

Amounts recognized as right-of-use assets and operating lease liabilities related to leases for operating facility and the premises of BBYHC are included in the accompanying balance sheet. As of December 31, 2024 right-of-use assets and operating lease liabilities related to leases were as follows:

| | December 31, 2024 |
|---|---|
| Operating lease ROU assets | $ 17,970 |
| Operating lease liabilities: | |
| Current portion of lease liabilities | 18,233 |
| Non-current portion of lease liabilities | - |

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

**Lease Term, Discount Rate and Other Information**

| | December 31, 2024 |
|---|---|
| Remaining lease term (years) | 0.25 |
| Weighted average discount rate | 2.30% |

**NOTE E – FRANCHISING ACTIVITIES**

The following table presents the franchisee activity that changed for the year ended December 31, 2024:

| | Number of Centers (Retail Center) | Number of Centers (Home Based Center) |
|---|---|---|
| Franchised centers as of December 31, 2023 | 27 | 7 |
| New franchised centers | 1 | - |
| Terminated franchised centers | (3) | - |
| Total centers as of December 31, 2024 | 25 | 7 |

**NOTE F – GOODWILL**

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

| Net assets | March 1, 2022 |
|---|---|
| Goodwill | $ 12,885 |
| Security Deposit | 2,115 |
| Total | $ 15,000 |

With its annual impairment testing as of December 31, 2024, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2024, the carrying amount of goodwill was $12,885.

**NOTE G – CONCENTRATION OF RISK**

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $250,000 per financial institution.

**NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT**

During the years ended December 31, 2024 and 2023, there was no cash payment for interest.

**NOTE I – SUBSEQUENT EVENTS**

**Date of Management Evaluation**

Management has evaluated subsequent events through February 5, 2025, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

# Supplementary Information

**BODY AND BRAIN CENTER, LLC**
Schedule of Operating Expenses
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Operating Expense** | | |
| Advertising and promotional expense | $ 3,317 | $ 20,430 |
| Advertising service fee | 3,000 | - |
| Amortization expense | 7,225 | - |
| Automobile expense | 201 | 361 |
| Award expense | 1,456 | 1,950 |
| Bad debt expense | 92 | - |
| Bank service charges | 8,199 | 7,429 |
| Business promotion | 500 | 475 |
| Charitable Contributions | 300 | - |
| Dues and subscription | 8,044 | 7,847 |
| Employee benefit | 525 | 413 |
| Employee leasing fee | 49,800 | 51,600 |
| Event expense | 136 | 910 |
| Health insurance expense | 14,410 | 14,006 |
| Insurance expense | 23,853 | 21,030 |
| Management fee expense | 18,000 | 18,000 |
| Meals and entertainment | 14 | 63 |
| Miscellaneous | 0 | - |
| Office supplies | 2,214 | 1,457 |
| Payroll service fee | 3,816 | 3,709 |
| Payroll tax expense | 10,259 | 9,493 |
| Postage and delivery | 85 | 46 |
| Printing and reproduction | 415 | 155 |
| Professional fee | 12,361 | 12,255 |
| Rent | 54,571 | 53,017 |
| Repair and maintenance | - | 9 |
| Royalty expense | 111,939 | 105,963 |
| Tax and licenses expense | 3,498 | 2,930 |
| Telephone expense | 3,154 | 2,584 |
| Utilities | 1,258 | 1,110 |
| Wages | 128,420 | 125,792 |
| Workshop expense | - | 704 |
| **Total Operating Expenses** | $ 471,061 | $ 463,738 |

See accompanying accountants' audited report and notes to financial statements.

# BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2023 and 2022

with

Independent Auditors' Report

ABC CPAs
3435 WILSHIRE BLVD. SUITE 600
LOS ANGELES, CA 90010

**BODY AND BRAIN CENTER, LLC**
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2023 and 2022

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# INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

**Opinion**

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2023 and 2022, and the related statement of income and changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 the Company'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 the Company'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.

ABC CPAs
Los Angeles, CA

February 6, 2024

**BODY AND BRAIN CENTER, LLC**
Balance Sheet
As of December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 119,107 | $ 257,831 |
| Accounts receivable, Net | 19,300 | 19,249 |
| Interest receivable | 840 | 594 |
| Other receivable | - | 200 |
| Note receivable | 380,000 | 380,000 |
| Prepaid expenses | 13,120 | 5,031 |
| **Total Current Assets** | 532,367 | 662,906 |
| Non Current Assets | | |
| Goodwill | 12,885 | 12,885 |
| Website | 43,350 | - |
| Security deposits | 3,325 | 3,325 |
| **Total Non Current Assets** | 59,560 | 16,210 |
| Restricted cash | 494,838 | 435,995 |
| Operating lease right-of-use assets | 50,965 | 83,216 |
| **Total Assets** | $ 1,137,730 | $ 1,198,327 |
| **Liabilities and Member's Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 90,634 | $ 80,806 |
| Accrued liabilities | 18,680 | 19,144 |
| Deferred revenue | 19,540 | 70,540 |
| Other payable | 38 | 2,420 |
| Operating lease liabilities, current portion | 43,394 | 41,649 |
| Unearned revenue, current portion | 26,628 | 17,978 |
| **Total Current Liabilities** | 198,914 | 232,536 |
| **Non Current Liabilities** | | |
| Operating lease liabilities, net of current portion | 8,633 | 42,427 |
| Unearned revenue | 14,380 | 14,457 |
| **Total Non Current Liabilities** | 23,013 | 56,884 |
| **Total Liabilities** | 221,927 | 289,420 |
| **Member's Equity** | 915,803 | 908,907 |
| **Total Liabilities and Equity** | $ 1,137,730 | $ 1,198,327 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Revenue** | | |
| Royalties | $ 200,578 | $ 204,235 |
| Initial franchise fee | 7,800 | 7,800 |
| Transfer Fee | 3,000 | - |
| Franchise renewal fee | 6,061 | 6,201 |
| Advertising fund fee | 70,651 | 68,375 |
| Membership income | 44,612 | 20,264 |
| Private lesson | 32,100 | 168,075 |
| Registration fee | 2,619 | 1,779 |
| Commission Income | 8,058 | 19,297 |
| **Total Revenue** | 375,479 | 496,025 |
| **Operating Expenses** | 463,738 | 520,908 |
| **Operating Income** | (88,259) | (24,882) |
| **Other Income** | | |
| Interest income | 24,309 | 8,526 |
| Employee leasing income | 13,180 | 19,928 |
| Other income | 57,666 | 3,542 |
| **Other Income** | 95,155 | 31,996 |
| **Net Income** | 6,896 | 7,114 |
| **Beginning Member's Equity** | 908,907 | 901,793 |
| **Ending Member's Equity** | $ 915,803 | $ 908,907 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net Income | $ 6,896 | $ 7,114 |
| Adjustments to reconcile net income to net cash provided by operationg activities | | |
| Operating lease right-of-use assets | 32,250 | (83,216) |
| Operating lease liabilities | (32,049) | 84,076 |
| Changes in operating assets and liabilities : | | |
| (Increase) decrease in | | |
| Accounts receivable | (51) | (2,676) |
| Interest receivable | (246) | (390) |
| Others receivable | 200 | 28,503 |
| Prepaid expenses | (8,089) | (604) |
| Increase (decrease) in | | |
| Accounts payable | 9,829 | 2,302 |
| Accrued liabilities | (464) | (14) |
| Deferred revenue | (51,000) | - |
| Other payable | (2,382) | (3,525) |
| Unearned revenue | 8,573 | 4,467 |
| Net cash provided by (used in) operating activities | (36,531) | 36,037 |
| **Cash Flows from Investing Activities** | | |
| Goodwill | - | (12,885) |
| Security Deposits | - | (3,326) |
| Website | (43,350) | - |
| Net cash provided by (used in) investing activities | (43,350) | (16,211) |
| **Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash** | (79,881) | 19,826 |
| **Cash, Cash Equivalents and Restricted Cash - Beginning of year** | 693,826 | 674,000 |
| **Cash, Cash Equivalents and Restricted Cash - End of year** | $ 613,945 | $ 693,826 |

See accompanying accountants' audited report and notes to financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

### Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2023, the Company has $494,838 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2023, the allowance for doubtful accounts was $5,691.

Accounts receivable is consisted of the following:

| | December 31, 2023 |
|---|---|
| Account Receivable | $ 24,991 |
| Less: allowance for doubtful accounts | ( 5,691) |
| | $ 19,300 |

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue (Continued)

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $19,540 and $70,540 as of December 31, 2023 and 2022, respectively.

*Recognition of Deferred Revenue for the Tax Year 2022*

The Company recognized $51,000 of deferred revenue from the tax year 2022 as other income, in compliance with the Company's police. In accordance with the contractual terms outlined by the Company, prepayments received subsequent to franchise agreements necessitate recognition as income if no operational activities commence within specified years thereafter.

Consequently, the recognition of $51,000 was deferred and subsequently acknowledged as other income during the fiscal year 2023. This recognition is consistent with the accounting policies adopted by the Company and adheres to the contractual conditions as stipulated in the Company's agreements.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $20,430 and $16,595 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments ("ASU 2016-13").* Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company beginning January 1, 2023. The Company is currently evaluating the effect of this ASU on the Company's financial statements and related disclosures.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350); Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Company adopted this alternative to evaluating goodwill effective January 1, 2022.

**NOTE B – NOTE RECEIVABLE**

Promissory Note Agreement

On June 9, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 4.88% per year. Borrower shall make a monthly payment in the amount of $935.33 for interest. The unpaid principal shall be payable in full on or before June 9, 2024 (the "Due Date").

On September 21, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 4.93% per year. Borrower shall make a monthly payment in the amount of $616.25 for interest. The unpaid principal shall be payable in full on or before September 21, 2024 (the "Due Date).

**NOTE C - RELATED PARTY TRANSACTIONS**

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $57,105, for the year ended December 31, 2023.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2023 and 2022, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall be month-to-month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2023 and 2022, respectively.

**NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)**

Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to $18,000 and $22,000 for the years ended December 31, 2023 and 2022, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to $51,600 and $52,650 for the years ended December 31, 2023 and 2022, respectively.

**NOTE D – COMMITMENTS AND CONTINGENCIES**

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

| | 2023 | 2022 |
|---|---|---|
| Royalties | $ 200,578 | $ 204,235 |
| Initial franchise fees | 7,800 | 7,800 |
| Transfer Fee | 3,000 | - |
| Franchise renewal fees | 6,061 | 6,201 |
| Advertising fund fees | 9,909 | 10,072 |
| Revenues from franchised centers | $ 227,348 | $ 228,308 |

**NOTE D - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2023, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of $2,301.

License expenses under this agreement totaled $105,963 and $142,586 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company overpaid $7,487 to BR Consulting Inc., which is included in prepaid expense in the accompanying 2023 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2023:

**NOTE D - COMMITMENTS (CONTINUED)**

Leased Facilities (Continued)

| Year ending December 31, | |
|---|---|
| 2024 | $ 34,412 |
| 2025 | 8,666 |
| Total lease payments | 43,078 |
| Less: Effects of discounting | 650 |
| Present value of lease liabilities | $ 42,428 |

Rent and lease expense totaled $53,017 for the year ended December 31, 2023.

Amounts recognized as right-of-use assets and operating lease liabilities related to leases for operating facility and the premises of BBYHC are included in the accompanying balance sheet. As of December 31, 2022 right-of-use assets and operating lease liabilities related to leases were as follows:

| | December 31, 2023 |
|---|---|
| Operating lease ROU assets | $ 50,965 |
| Operating lease liabilities: | |
| Current portion of lease liabilities | 43,394 |
| Non-current portion of lease liabilities | 8,633 |

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

| Lease Term, Discount Rate and Other Information | |
|---|---|
| | December 31, 2023 |
| Remaining lease term (years) | 1.25 |
| Weighted average discount rate | 2.30% |

**NOTE E – FRANCHISING ACTIVITIES**

The following table presents the franchisee activity that changed for the year ended December 31, 2023:

| | Number of Centers (Retail Center) | Number of Centers (Home Based Center) |
|---|---|---|
| Franchised centers as of December 31, 2022 | 29 | 7 |
| New franchised centers | - | - |
| Terminated franchised centers | (2) | - |
| Total centers as of December 31, 2023 | 27 | 7 |

**NOTE F – GOODWILL**

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

| Net assets | March 1, 2022 |
|---|---|
| Goodwill | $ 12,885 |
| Security Deposit | 2,115 |
| Total | $ 15,000 |

With its annual impairment testing as of December 31, 2023, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2023, the carrying amount of goodwill was $12,885.

**NOTE G – CONCENTRATION OF RISK**

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $250,000 per financial institution.

**NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT**

During the years ended December 31, 2023 and 2022, there was no cash payment for interest

**NOTE I – SUBSEQUENT EVENTS**

**Date of Management Evaluation**

Management has evaluated subsequent events through February 6, 2024, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

# Supplementary Information

**BODY AND BRAIN CENTER, LLC**
Schedule of Operating Expenses
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Operating Expense** | | |
| Advertising and promotional expense | $ 20,430 | $ 16,595 |
| Automobile expense | 361 | 500 |
| Award expense | 1,950 | 2,650 |
| Bad debt expense | - | 136 |
| Bank service charges | 7,429 | 9,176 |
| Business promotion | 475 | 575 |
| Dues and subscription | 7,847 | 7,207 |
| Employee benefit | 413 | 825 |
| Employee leasing fee | 51,600 | 52,650 |
| Event expense | 910 | - |
| Health insurance expense | 14,006 | 20,167 |
| Insurance expense | 21,030 | 18,644 |
| Management fee expense | 18,000 | 22,000 |
| Meals and entertainment | 63 | 453 |
| Miscellaneous expense | - | 3,567 |
| Office supplies | 1,457 | 1,086 |
| Payroll service fee | 3,709 | 3,848 |
| Payroll tax expense | 9,493 | 10,587 |
| Postage and delivery | 46 | 365 |
| Printing and reproduction | 155 | - |
| Professional fee | 12,255 | 12,350 |
| Rent | 53,017 | 45,369 |
| Repair and maintenance | 9 | 277 |
| Royalty expense | 105,963 | 142,586 |
| Tax and licenses expense | 2,930 | 3,113 |
| Telephone expense | 2,584 | 1,742 |
| Travel expense | - | 31 |
| Utilities | 1,110 | 1,057 |
| Wages | 125,792 | 143,171 |
| Workshop expense | 704 | 179 |
| **Total Operating Expenses** | 463,738 | $ 520,908 |

See accompanying accountants' audited report and notes to financial statements.

# BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2022 and 2021

with

Independent Auditors' Report

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# INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

## Opinion

We have audited the financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body and Brain Center, 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 statement, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt that Body and Brain Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Body and Brain Center, 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 Body and Brain Center 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.

ABC CPAs
Los Angeles, CA

February 7, 2023

**BODY AND BRAIN CENTER, LLC**
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2022 and 2021

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**BODY AND BRAIN CENTER, LLC**
Balance Sheet
December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 257,831 | $ 292,639 |
| Accounts receivable, Net | 19,249 | 16,574 |
| Interest receivable | 594 | 204 |
| Other receivable | 200 | - |
| Tax receivable - Employee Retention Credit | - | 28,703 |
| Note receivable | 380,000 | 380,000 |
| Prepaid expenses | 5,031 | 4,427 |
| **Total Current Assets** | 662,906 | 722,547 |
| Other Assets | | |
| Goodwill | 12,885 | - |
| Security Deposits | 3,325 | - |
| **Total Other Assets** | 16,210 | - |
| Restricited Cash | 435,995 | 381,361 |
| Right-of-Use Assets | 83,216 | - |
| **Total Assets** | $ 1,198,327 | $ 1,103,908 |
| **Liabilities and Member's Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 80,806 | $ 78,504 |
| Accrued liabilities | 19,144 | 19,158 |
| Deferred revenue | 70,540 | 70,540 |
| Other payable | 2,420 | 5,945 |
| Lease Liabilities, current portion | 41,649 | - |
| Unearned revenue, current portion | 17,978 | 10,304 |
| **Total Current Liabilities** | 232,536 | 184,451 |
| **Non Current Liabilities** | | |
| Lease Liabilities | 42,427 | - |
| Unearned revenue | 14,457 | 17,664 |
| **Total Non Current Liabilities** | 56,884 | 17,664 |
| **Total Liabilities** | 289,420 | 202,115 |
| Member's Equity | 908,907 | 901,793 |
| **Total Liabilities and Equity** | $ 1,198,327 | $ 1,103,908 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Royalties | $ 204,235 | $ 211,186 |
| Initial franchise fee | 7,800 | 5,800 |
| Franchise renewal fee | 6,201 | 6,737 |
| Owner training fee | - | 30,000 |
| Advertising fund fee | 68,375 | 65,059 |
| Membership income | 20,264 | - |
| Private lesson | 168,075 | - |
| Registration fee | 1,779 | - |
| Commission Income | 19,297 | - |
| **Total Revenue** | 496,025 | 318,782 |
| **Operating Expenses** | 520,908 | 312,938 |
| **Operating Income** | (24,882) | 5,844 |
| **Other Income** | | |
| Interest income | 8,526 | 3,203 |
| Employee leasing income | 19,928 | 24,240 |
| Other income | 3,542 | 218 |
| **Other Income** | 31,996 | 27,661 |
| **Net Income** | 7,114 | 33,505 |
| **Beginning Member's Equity** | 901,793 | 868,288 |
| **Ending Member's Equity** | $ 908,907 | $ 901,793 |

See accompanying accountants' audited report and notes to financial statements.

**BODY AND BRAIN CENTER, LLC**
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net Income | $ 7,114 | $ 33,505 |
| Adjustments to reconcile net income to net cash provided by operationg activities | | |
| Right-of-Use assets | (83,216) | - |
| Lease liabilities | 84,076 | - |
| Changes in operating activities | | |
| (Increase) decrease in | | |
| Accounts receivable | (2,676) | (876) |
| Interest receivable | (390) | (107) |
| Others receivable | (200) | - |
| Tax receivable - Employee Retention Credit | 28,703 | (28,703) |
| Prepaid expenses | (604) | 224 |
| Security Deposits | (3,325) | - |
| Increase (decrease) in | | |
| Accounts payable | 2,302 | 30,010 |
| Accrued liabilities | (14) | 3,398 |
| Deferred revenue | - | (51,000) |
| Other payable | (3,525) | (190) |
| Unearned revenue | 4,467 | (7,537) |
| Net cash provided by (used in) operating activities | 32,712 | (21,276) |
| **Cash Flows from Investing Activities** | | |
| Goodwill | (12,885) | - |
| Net cash provided by (used in) investing activities | (12,885) | - |
| **Increase (Decrease) in Cash** | 19,827 | (21,276) |
| **Cash, Cash Equivalents and Restricted Cash - Beginning of year** | 674,000 | 695,276 |
| **Cash, Cash Equivalents and Restricted Cash - End of year** | $ 693,827 | $ 674,000 |

See accompanying accountants' audited report and notes to financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2022, the Company has $435,995 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2022, the allowance for doubtful accounts was $6,179.

Accounts receivable is consisted of the following:

| | December 31, 2022 |
|---|---|
| Account Receivable | $ 25,428 |
| Less: allowance for doubtful accounts | (6,179) |
| | $ 19,249 |

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $70,540 and $70,540 as of December 31, 2022 and 2021, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $16,595 and $6,500 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. ASU No. 2016-02 is effective for the Company on January 1, 2020, and early adoption is permitted. On November 15, 2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1, 2020. In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the board's standards on leasing (ASC 842) to defer the effective date of ASC 842 as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019(Covid-16) pandemic.: delay by one year the effective dates of its lease accounting standard for private companies for fiscal years beginning after December 15, 2021. The new standard is effective for the Company on January 1, 2022. The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company records a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

**NOTE B – NOTE RECEIVABLE**

Promissory Note Agreement

On June 9, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $663.17 for interest. The unpaid principal shall be payable in full on or before June 9, 2023 (the "Due Date").

**NOTE B – NOTE RECEIVABLE**

Promissory Note Agreement (Continued)

On September 21, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $432.50 for interest. The unpaid principal shall be payable in full on or before September 21, 2023 (the "Due Date").

**NOTE C - RELATED PARTY TRANSACTIONS**

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $54,649, for the year ended December 31, 2022.

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2022 and 2021, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2022 and 2021, respectively.

**NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)**

Overall Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $22,000 and $0 for the years ended December 31, 2022 and 2021, respectively.

Employee Lease Agreements

The Company has a employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to $52,650 and $54,600 for the year ended December 31, 2022 and 2021, respectively.

**NOTE D - COMMITMENTS**

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

| | 2022 | 2021 |
|---|---|---|
| Royalties | $ 204,235 | $ 211,186 |
| Initial franchise fees | 7,800 | 5,800 |
| Franchise renewal fees | 6,201 | 6,737 |
| Owner training fees | - | 30,000 |
| Advertising fund fees | 10,072 | 10,404 |
| Other fees | - | - |
| Revenues from franchised centers | $ 228,308 | $ 264,127 |

**NOTE D - COMMITMENTS (CONTINUED)**

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $142,586 and $114,101 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company owed $9,906 to BR Consulting Inc., which is included in accounts payable in the accompanying 2021 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2022:

| **Year ending December 31,** | |
|---|---|
| 2023 | $ 33,411 |
| 2024 | 34,412 |
| 2025 | 8,666 |
| Total lease payments | 76,489 |
| Less: Effects of discounting | 3,509 |
| Present value of lease liabilities | $ 74,476 |

Rent and lease expense totaled $45,369 for the year ended December 31, 2022.

**NOTE D - COMMITMENTS (CONTINUED)**

Leased Facilities (Continued)

Amounts recognized as right-of-use (ROU) assets related to operating leases for operating facility and the premises of BBYHC are included in non current assets, net in the accompanying balance sheet, while related lease liabilities are included in Current portion of long-term debt and Long-term debt. As of December 31, 2022 right-of-use assets and lease liabilities related to operating leases were as follows:

| | December 31, 2022 |
|---|---|
| Operating lease ROU assets | $ 83,216 |
| Operating lease liabilities: | |
| Current portion of lease liabilities | 41,649 |
| Non-current portion of lease liabilities | 42,427 |

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

**Lease Term, Discount Rate and Other Information**

| | December 31, 2022 |
|---|---|
| Remaining lease term (years) | 2.11 |
| Weighted average discount rate | 2.30% |

**NOTE E – FRANCHISING ACTIVITIES**

The following table presents the franchisee activity that changed for the year ended December 31, 2022:

| | Number of Centers (Retail Center) | Number of Centers (Home Based Center) |
|---|---|---|
| Franchised centers as of December 31, 2021 | 31 | 7 |
| New franchised centers | 1 | - |
| Terminated franchised centers | (3) | - |
| Total centers as of December 31, 2022 | 29 | 7 |

**NOTE F – GOODWILL**

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

| Net assets | March 1, 2022 |
|---|---|
| Goodwill | $ 12,885 |
| Security Deposit | 2,115 |
| Total | $ 15,000 |

With its annual impairment testing as of December 31, 2022, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2022, the carrying amount of goodwill was $12,885.

**NOTE G – CONCENTRATION OF RISK**

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

**NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT**

During the years ended December 31, 2022 and 2021, there was no cash payment for interest

**NOTE I – SUBSEQUESNT EVENTS**

**Date of Management Evaluation**

Management has evaluated subsequent events through February 7, 2023, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

# Supplementary Information

**BODY AND BRAIN CENTER, LLC**
Schedule of Operating Expenses
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Operating Expense** | | |
| Advertising and promotional expense | $ 16,595 | $ 6,500 |
| Advertising service fee | - | 6,000 |
| Automobile Expense | 500 | 45 |
| Award expense | 2,650 | 1,975 |
| Bad debt expense | 136 | - |
| Bank service charges | 9,176 | 3,624 |
| Business Promotion | 575 | - |
| Dues and subscription | 7,207 | 5,821 |
| Employee Benefit | 825 | 350 |
| Employee leasing fee | 52,650 | 54,600 |
| Health insurance expense | 20,167 | 10,825 |
| Insurance expense | 18,644 | 17,038 |
| Management fee expense | 22,000 | - |
| Meals and entertainment | 453 | 96 |
| Miscellaneous Expense | 3,567 | - |
| Office supplies | 1,086 | 123 |
| Payroll service fee | 3,848 | 4,008 |
| Payroll tax expense | 10,587 | 7,167 |
| Postage and delivery | 365 | 48 |
| Printing and Reproduction | - | 576 |
| Professional fee | 12,350 | 16,836 |
| Rent | 45,369 | 10,417 |
| Repair and Maintenance | 277 | - |
| Royalty expense | 142,586 | 114,101 |
| Tax and licenses expense | 3,113 | 2,647 |
| Telephone expense | 1,742 | 143 |
| Travel expense | 31 | 150 |
| Utilities | 1,057 | - |
| Wages | 143,171 | 49,849 |
| Workshop Expense | 179 | - |
| **Total Operating Expenses** | 520,908 | $ 312,938 |

See accompanying accountants' audited report and notes to financial statements.

**EXHIBIT "L"**

**TO DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES AND RECEIPTS**

*[See Attached]*

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|---|---|
| California | Pending |
| Hawaii | Pending* |
| Illinois | Pending* |
| Maryland | Pending* |
| Minnesota | Pending* |
| New York | Pending* |
| Virginia | Pending* |
| Washington | Pending* |
| | |
| | |
| | |
| | |
| | |
| | |

* This effective date pertains to a separate state-specific FDD for the registration of this Body & Brain Center franchise.

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.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Body and Brain Center, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to the franchisor or an affiliate for the proposed franchise sale.

If Body and Brain Center, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

Jeong Hee Jeon, 1234 S. Power Road, Suite 250, Mesa, Arizona 85206, (480) 433-8495

Eun Jeong Lee, 1234 S. Power Road, Suite 250, Mesa, Arizona 85206, (650) 339-5366

Joung Yoon, 1234 S. Power Road, Suite 250, Mesa, Arizona 85206, (480) 320-9701

Body and Brain Center, LLC's agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

Issuance date: February 12, 2025

I have received the Body & Brain Franchise Disclosure Document for the State of California that included the following Exhibits:

| | |
|---|---|
| EXHIBIT "A" | State Agencies and Administrators |
| EXHIBIT "B" | Agent for Service of Process |
| EXHIBIT "C" | Franchise Agreement |
| EXHIBIT "D" | Training Agreement |
| EXHIBIT "E" | General Release |
| EXHIBIT "F" | Referral Agreement |
| EXHIBIT "G" | Software Service Agreement |
| EXHIBIT "H" | Table of Contents of the confidential Operating Manuals |
| EXHIBIT "I" | State Addendum |
| EXHIBIT "J" | List of Franchisees |
| EXHIBIT "K" | Financial Statements of Body and Brain Center, LLC |
| EXHIBIT "L" | State Effective Dates and Receipts |

_____
Print Name

_____ _____
Date (Signature) Prospective Franchise Owner

(This receipt should be signed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Body and Brain Center, LLC.)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Body and Brain Center, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to the franchisor or an affiliate for the proposed franchise sale.

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