FRANCHISE DISCLOSURE DOCUMENT

Hapa Yoga Holdings, Inc.,
a California corporation
4242 Camino Del Rio North, Suite #10
San Diego, California 92108
(619) 504-2528
franchise@hapayoga.com www.hapayoga.com

Hapa Yoga Holdings, Inc. ("we," "us," or "our") offers for sale a franchise to establish and operate a boutique fitness studio that offers a variety of yoga and fitness classes, teacher training, and member workshops, and provides child care under the "Hapa Yoga" marks.

The total estimated investment necessary to begin operations of a HAPA YOGA Studio franchise ranges from $164,895 to $315,490. This amount includes $31,500 to $41,000 that must be paid to the franchisor or its affiliate. The total investment necessary to begin operation of a HAPA YOGA Studio franchise pursuant to a three-unit Area Development Agreement is $204,895 to $345,490. This includes $70,500 to $71,000 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Tina Knight Ardolino at Hapa Yoga Holdings, Inc., 4242 Camino Del Rio North, Suite #10, San Diego, CA 92108, and at (619) 504-2528**.**

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. Information about comparisons of franchisors is available. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency listed on **Exhibit B** 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.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS: APRIL 10, 2019.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed on **Exhibit B** for information about the franchisor, or about franchising in your state. If you learn that anything in this disclosure document is untrue, contact the Federal Trade Commission and the state administrators listed on **Exhibit B**.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY, FIRST, A FACE-TO-FACE MEETING; SECOND, NON-BINDING MEDIATION; AND THIRD, BINDING ARBITRATION, IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED, WHICH IS CURRENTLY, SAN DIEGO COUNTY, CALIFORNIA. OUT-OF-STATE MEDIATION/ARBITRATION MAY FORCE YOU TO ACCEPT LESS FAVORABLE SETTLEMENT DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE/ARBITRATE WITH US IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED THAN IN YOUR STATE. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY.

2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT PROVIDE THAT THE LAWS OF THE STATE OF CALIFORNIA GOVERN THE AGREEMENT AND THAT LAW MAY NOT PROVIDE YOU WITH THE SAME RIGHTS AND PROTECTIONS AS YOUR LOCAL LAW. YOU MAY WANT TO CONSULT AN ATTORNEY REGARDING COMPARISON OF THESE LAWS.

3. IF YOU ARE A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, WE WILL REQUIRE EACH OWNER OF A 10% OR MORE INTEREST IN YOU AND HIS/HER SPOUSE TO SIGN A GUARANTY AND ASSUMPTION OF OBLIGATIONS OF YOUR OBLIGATIONS CAUSING EACH OWNER (AND THE OWNERS' SPOUSE) TO BECOME JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF OWNERS AND SPOUSES AT RISK.

4. THE FRANCHISOR IS AT AN EARLY STATE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

5. 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

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more Franchise Brokers or referral sources to assist us in selling our franchise. A Franchise Broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of April 10, 2019.

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Exhibits

ITEM 1 THE FRANCHISOR, ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us," "our," "Franchisor" or "Hapa Yoga" to mean Hapa Yoga Holdings, Inc., the franchisor. "You" means the person, corporation, partnership or other entity that buys the franchise. Terms not defined in this Disclosure Document (including various capitalized terms) are defined in the Franchise Agreement attached as **Exhibit A** to this Disclosure Document (the "Franchise Agreement").

Franchisor, Parent, and Affiliates

We do business under the name Hapa Yoga Holdings, Inc., or in some cases, simply as "Hapa Yoga." Our principal business address is 4242 Camino Del Rio North, Suite #10, San Diego, CA 92108. We are a California corporation formed on December 22, 2016.

We have no parent. We have two affiliates, Hapa Yoga LLC and Hapa Yoga South Corp.

Hapa Yoga LLC ("Licensor") is a California limited liability company that was formed on January 20, 2012. Licensor is the owner of the "Hapa Yoga" trade name, logos and other trademarks and service marks and related trade dress (the "Marks") and licenses the Marks to us pursuant to an agreement that became effective February 6, 2017. Licensor has the same principal business address as us. Licensor owns and operates one (1) Hapa Yoga Studio, which began operating in January 2012. It has never offered Hapa Yoga franchises or franchises in any other line of business, nor does it supply any products or services to our franchisees.

Hapa Yoga South Corp. is a California corporation that was formed on June 25, 2015. Its principal business address is 2334 Proctor Valley Road, Suite #101, Chula Vista, CA 91914. Hapa Yoga South Corp. owns and operates one (1) Hapa Yoga Studio, which began operating in October 2015. It has never offered franchises in any line of business, nor does it supply any products or services to our franchisees.

Agent for Service of Process

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

Predecessors and Prior Experience

We have no predecessors. We began offering Hapa Yoga franchises in February 2017. We have never offered franchises in any other line of business. We do not and have never operated a Hapa Yoga franchise.

The Business We Offer

We offer for sale franchise opportunities to operate boutique fitness studios that offer a variety of yoga and fitness classes, teacher training, member workshops, and retail yoga products, and provide on-site child care (the "Hapa Yoga Studios"). Hapa Yoga Studios offer yoga and other exercise programs through live instructional group classes that cater to the entire family and all fitness levels. The franchise generally described in this disclosure document is a license to develop and operate a single Hapa Yoga Studio (the "Studio") at a designated location (the "Authorized Location"), which is usually located in a retail shopping center or a free-standing building. We may, however, consider alternative sites, on a case-by-case basis. If you own an existing fitness facility and meet our other qualifications, you may convert your existing business to a Hapa Yoga Studio. A converted Hapa Yoga Studio will likely encounter lower investment requirements than those of a start-up Studio. All classes may be paid for and scheduled online via the Internet, and are taught by certified instructors who have completed a minimum of 200 hours of customized yoga instructor training. You may offer teacher training classes at the Studio if you meet certain criteria and receive our approval. Upon approval by us, you will execute an Authorized Teacher Training Addendum (Exhibit 6 to the Franchise Agreement) prior to offering teacher training at the Studio.

You will select one of the following two design options for the Studio:

(1) "Option 1", which includes one large practice yoga and fitness room (minimum 1,000 square feet), a separate space for child care (minimum 350 square feet), a lobby and retail space, and restrooms. The minimum space requirement for Option 1 is 2,000 square feet.

(2) "Option 2", which includes two large practice yoga and fitness rooms (each a minimum 900 square feet), a space for child care (minimum 400 square feet), a lobby and retail space, locker rooms (showers optional), and restrooms. The minimum space requirement for Option 2 ranges from 2,700 square feet to 3,000 square feet.

The Hapa Yoga Studios are established and operated under a system and comprehensive design that includes a spacious interior with a work-out room(s), child care room, lobby and retail space, and restrooms; exercise equipment; retail yoga products; various fitness and exercise techniques and methods; trade secrets; copyrights, confidential and proprietary information and other intellectual property rights; specifications and procedures for operations; quality customer service; management and financial control; training and assistance; and advertising and promotional programs (collectively, the "Hapa Yoga System"). The Hapa Yoga System's standards, specifications and procedures (collectively, the "System Standards") are described in our confidential operations manual (the "Manual"). The Hapa Yoga System and the Manual may be changed, improved and further developed by us.

We offer the right to establish and operate a Hapa Yoga Studio under the terms of a single unit franchise agreement (the "Franchise Agreement"). The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Designated Operator(s)") of the franchised business. The Designated Operator(s) (there may be up to two such individuals but only one address to which we communicate in regards to the franchise) named has the authority to act for you in all matters relating to the Hapa Yoga Franchise, including voting responsibilities. By signing the Franchise Agreement, you and the Designated Operator(s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or your Designated Operator(s) may be involved, we may require you or your Designated Operator(s) to sign additional confidentiality and non-competition agreements.

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

Market and Competition

The market for fitness services and studios is crowded. You will face competition for members from other yoga studios, gyms, personal trainers, fitness/exercise centers and studios, health clubs, Pilates studios, barre-based studios, and even other Hapa Yoga franchisees. Hapa Yoga differentiates itself within this market by offering on-site child care, which very few fitness studios offer, and a variety of currently-trending fitness fusion classes, such as TRX and BARRE.

Applicable Regulations

We make no representations or assurances as to the specific licenses, permits, authorizations or otherwise that may be required for operating your Studio, which can vary significantly by venue and change over time. It's your responsibility to ensure that you are in compliance with all local, state, provincial and federal business, retail sales, zoning, child care, and other regulations and licensing requirements, and any applicable laws and regulations, and to identify and obtain all authorizations necessary to operate your Studio. Some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. At a minimum, your Studio will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, child care, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency's permission before you begin operations. All states have laws and regulations pertaining to the health and safety of children in child care. Some states may require you to obtain a license and meet a certain infant-to-care provider ratio, among other requirements. In addition, there may be local licensing and employment regulations, including worker's compensation insurance requirements. You should examine these and other laws before purchasing a franchise.

The Payment Card Industry Data Security Standard ("PCI DSS") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all merchants, regardless of size or number of transactions that accept, transmit or store any cardholder data.

You should consult with your attorney, and local and state agencies/authorities, before buying a Hapa Yoga Studio Franchise to determine if there are any specific regulations you must comply with as it relates to offering the Studio products and services to consumers in your state, and consider the effects on you and the cost of compliance. These requirements can affect a broad scope of your operations, including location selection, and hiring of personnel, among other things.

ITEM 2 BUSINESS EXPERIENCE

Founder, Chief Executive Officer and Chief Financial Officer: Tina Knight Ardolino

Ms. Ardolino is our founder, and has been our CEO and CFO since our inception. She is also the founder of our affiliates Hapa Yoga LLC and Hapa Yoga South Corp. She has held the positions of CEO and CFO for our affiliates Hapa Yoga LLC and Hapa Yoga South Corp. since January 2012 and June 2015, respectively. From January 2016 to April 2016, Ms. Ardolino worked as a consultant for Sayva Solutions. From February 2009 to

December 31, 2015, she was a manager at Sempra Energy. All positions listed here for Ms. Ardolino are/were located in San Diego, California.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

Franchise Agreement

You must pay to us a lump sum "Initial Franchise Fee," by wire transfer, to establish a single Hapa Yoga Studio under a Franchise Agreement. The amount of the Initial Franchise Fee will be determined as follows:

Order of Hapa Yoga Studios Sold	Initial Franchise Fee
Hapa Yoga Studios 1 - 10	$30,000
Hapa Yoga Studios 11 - 20	$35,000
Hapa Yoga Studios 21 +	$40,000

Discounts on the Initial Franchise Fee. We currently offer the following discounts on the Initial Franchise Fee. The discounts listed below cannot be combined. If you meet the criteria for more than one of the discounts, you will receive the discount with the greater amount for which you qualify.

(i) Conversion Discount - $5,000 discount off the Initial Franchise Fee if you are converting an existing fitness facility to a Hapa Yoga Studio (a "Conversion Franchisee");

(ii) Employee Discount - $5,000 discount off the Initial Franchise Fee if you are an employee of Franchisor or its affiliate, or an employee of an existing Hapa Yoga Franchisee;

(iii) Military Discount - To provide support to veterans of the U.S. military forces, we offer to all qualifying veterans the opportunity to purchase an initial franchise at a discount of $5,000 off the Initial Franchise Fee. This program is available for all veterans who have received an honorable discharge from any branch of the U.S. Military or Coast Guard, and is available for new franchisees only. The program is available only to qualified veterans operating their franchise as individual proprietors, or who hold a majority ownership interest in a partnership, corporation, or limited liability company which owns the franchise. The price reduction applies only to the first franchise acquired by a veteran. If you are a partnership, corporation or limited liability company, your status as a participating veteran must be submitted to us before you sign the Franchise Agreement, and you must maintain a majority interest in the partnership, corporation or limited liability company for a minimum of three consecutive years after executing the Franchise Agreement, or you will be required to pay us the initial savings (i.e., $5,000); and

(iv) Existing Franchisee Discount - If you are an existing Hapa Yoga Franchisee purchasing an additional Studio, and are in Good Standing, and have continuously met the System Standards, you will receive a $5,000 discount off the then-current Initial Franchise Fee.

The Initial Franchise Fee is due upon the signing of the Franchise Agreement. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

Area Development Agreement

If you wish to develop 3 or more Studios, you will sign an Area Development Agreement. Upon execution of the Area Development Agreement, you will pay us a lump sum development fee (the "Development Fee"), by wire transfer, in the amount of $70,000 for the first 3 Studios to be developed under the Area Development Agreement. This amount includes $30,000 for the first Studio, $20,000 for the second Studio, and $20,000 for the third Studio. The Development Fee will be increased by $20,000 for each additional Studio you develop under the Area Development Agreement beyond the first 3 Studios. The Development Fee is not refundable, in whole or in part, under any circumstances.

The Initial Franchise Fee for each Studio developed under an Area Development Agreement will be $30,000 for the first Studio, $20,000 for the second Studio, and $20,000 for all Studios thereafter, developed under the Area Development Agreement. The Development Fee will be credited to the Initial Franchise Fee when you sign the Franchise Agreement for each Studio, such that no further amount is due and owing by you to us in connection with any or all of Studios developed under the Area Development Agreement.

Opening Inventory - Retail Starter Kit

You must purchase an opening inventory of proprietary products and other yoga-related products (the "Retail Starter Kit") from us or from our print vendors before the Studio opens for business. The Retail Starter Kit includes: Hapa Yoga® branded merchandise and yoga wear (25 t-shirts, 25 tank tops, 50 barre grip socks, and 40 water bottles); Tonic or similar brand yoga wear (12 yoga tank tops/bras and 12 yoga pants); and 40 printed tank tops. Currently, the cost of the Retail Starter Kit is $500 to $1,000 and includes shipping. You will pay this amount by electronic fund transfer ("EFT") to us when you sign the Franchise Agreement. The cost of the Retail Starter Kit is refundable only if we terminate the Franchise Agreement for either of the following situations: (1) you fail to satisfactorily complete the required initial training program, or (2) we cannot agree upon an acceptable site for the Studio. In either of these two instances, we will refund the cost of the Retail Starter Kit less the shipping costs (currently, $50.00) if you return all of the inventory included in the Retail Starter Kit, in new condition, to us within 30 days after the Franchise Agreement has been terminated. Other than as provided above, the cost of the Retail Starter Kit is not refundable.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	Years 1-3 (end of 36th month): 4% of Gross Sales[1] for the prior month.	Payable weekly, by noon on Friday.	You will begin paying this fee one month from the day the Studio first opens for business. It is payable in 4 equal, weekly,

Type of Fee	Amount	Due Date	Remarks
	Years 4 (37th month)-10 6% of Gross Sales[1] for the prior month.		installment payments; calculated by dividing the Royalty Fee based on the prior month's Gross Sales by 4.
Marketing Fund Contribution [2]	No greater than1.5% of Gross Sales[1].	Payable weekly, by noon on Friday.	Your contributions will begin one month from the date the Studio first opens for business, and are payable in the same manner as the Royalty Fee.
Local Marketing/ Advertising Expenses	2% of Gross Sales[1]	Monthly	You must spend at least this amount on local advertising and promotion of the Studio each month. This includes social media expenditures.
Minimum Teacher Training Requirement (RYT 200 HR) from Franchisor [3]	$2,000 per trainee, for 200-hour course.	Prior to training.	If you are a new Franchisee, and you or your employees would like to receive this minimum required RYT teacher training from us prior to opening the Studio, you will pay us this fee, which is discounted from our consumer rate. You have the option to take this training from another Registered Yoga School.
Ongoing/Refresher Training [4]	$500 per day.	Prior to training.	Additionally, you must pay for your employee's compensation (if applicable), and any travel and living expenses you (and your employees) incur to attend the training.
HYU Training Materials for Additional Attendees	$200 per attendee	Prior to training.	If you request that additional employees (beyond you, the Studio Manager and one other employee you elect) attend the Initial Training Program with you, you must pay us this fee, for each additional attendee, for Hapa Yoga University ("HYU") Training Materials.
Additional Training, On-Site and Remote Assistance[5]	$35 per hour for Remote Assistance. $500 per day for Additional Training and On-Site Assistance.	Prior to training or at time of support.	Payable only if you request additional training or assistance from us after completion of our Initial Training Program, or we require you to attend remedial

Type of Fee	Amount	Due Date	Remarks
			training.
Late Fees	The greater of the highest applicable legal rate for open account business credit, or 1.5% per month.	Upon demand.	Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of $50 for each late payment or late report.
Renewal Fee	$5,000	At time of renewal.	You must renovate and reimage the Studio at your expense at the time of Renewal to conform to our then-current standards and image.
Transfer Fee	25% of then-current Initial Franchise Fee	Before the transfer.	Payable when you sell the Studio. No charge if the Studio is transferred to a corporation or other entity that you control.
Insurance Policies[6]	Amount of unpaid premium. Our estimate for 3 mos. of the minimum required insurance is $500 – $1,000.	Must have the policies within 60 calendar days after signing the Franchise Agreement, but no later than the time that you acquire an interest in the real property from which you will operate the Studio.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.

Type of Fee	Amount	Due Date	Remarks
Audit Fees[7]	$500 - $2,500	Within 15 calendar days after receipt of audit report.	Payable only if audit shows an understatement.
Ongoing Purchases of Hapa Yoga Brand Merchandise and Yoga Wear	$0 - $500, quarterly, as needed or recommended.	At time of order.	We will supply you with a list of our proprietary products and other yoga-related products, and the price of each item that is available for purchase from us. This list and the item prices may be modified by us from time to time.
Upgrades and Maintenance[8]	$500 - $20,000	At time of modification.	You will make these expenditures as we require to comply with modifications to the Hapa Yoga System, but no more than once every 5 years. Payable to suppliers.
Alternative Supplier or Service Approval[9]	$0 - $500 per inquiry.	At time of request.	Additionally, you must reimbursement us for any travel, accommodations, and meal expenses.
Manual Replacement Fee	$1,000 per incident	Upon demand.	You will be charged this fee if you lose the Manual, or for any unauthorized access to the Manual by your employees.
Business Management Software Fees[10]	Approximately, $260 per month.	Payable monthly.	Payable to our designated approved suppliers.
Relocation Fee	$500	Upon relocation of the Studio.	If we approve your relocation of the Studio, you must pay us this fee to cover our administrative costs.
Site Evaluation Assistance Fee[11]	$0 - $3,000	At time of request.	You may request that we assist you in selecting a site for the Studio. If we elect to assist you, we may charge you this fee to cover our reasonable costs and expenses in performing an on-site evaluation.
Teacher Training Royalty[12]	25% of gross revenues received from Teacher Training Fees	Payable weekly.	If you meet certain criteria and are approved by us to provide teacher training at your Studio, you will sign an Authorized Teacher Training Addendum

Type of Fee	Amount	Due Date	Remarks
			(Exhibit 6) to the Franchise Agreement and pay us this fee for the Hapa Yoga teacher training materials that we provide to you.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Studio.

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

Notes to Chart:

[1] Gross Sales. The term "Gross Sales" means the total revenues you derive, directly or indirectly from all business conducted upon, from or in connection with the Studio, except Teacher Training Fees, less sales taxes or similar taxes imposed by governmental authorities. Revenues from Teaching Training Fees received pursuant the Authorized Teacher Training Addendum (Exhibit 6 to the Franchise Agreement) are not included in Gross Sales. (See Section 5.3 of the Franchise Agreement for a more complete definition.) You must participate in our then-current electronic funds transfer and reporting program(s). (See Exhibit 2 and Exhibit 3 of the Franchise Agreement.) All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by noon on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Marketing Fund Contributions. Under such circumstances, you will be required to adjust, or "gross up" your payment to us to account for these taxes.

[2] Marketing Fund. We have established a national advertising and marketing fund (the "Marketing Fund") and you will be required to make a weekly contribution to such fund (the "Marketing Fund Contribution") beginning one month from the date the Studio first opens for business. The Marketing Fund Contribution is payable at the same time and in the same manner as the Royalty Fee is paid. The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Studios and the Hapa Yoga brand; agency and consulting services; research; and any expenses approved by us and associated with your Studio. We

will have sole discretion over all matters relating to the Marketing Fund. You must pay for your own local advertising.

[3] Minimum Teacher Training Requirement (RYT 200 HR) from Franchisor. You, the Studio Manager, and all yoga instructors at the Studio must be certified with a minimum of 200 hours through Yoga Alliance (RYT®), which is a credential earned by yoga teachers whose training and teaching experience meet Yoga Alliance Registry Standards. An RYT must complete training with a Registered Yoga School (RYS®), be confirmed by RYS and keep current with continuing education and their annual fees. We are an RYS and we offer teacher training. You and the teachers at the Studio may elect, but are not required, to receive your RYT 200-Hour Teacher Training from us. You may also receive this training at a Hapa Yoga Studio that is authorized by us to provide the training, or you may receive it from another Registered Yoga School. If you would like us to provide private teacher training at your Studio prior to opening, you must have a minimum of ten (10) trainees. If we provide the training at your Studio, you must pay our reasonable travel and living expenses in addition to the fee provided here. If you request this training from us after the opening of your Studio, you will pay our then-current consumer rate for such training.

[4] Ongoing/Refresher Training. From time to time, we may offer system-wide ongoing or refresher training to the Hapa Yoga franchisees and/or their teachers for a reasonable fee, such training may include courses, meetings, seminars and conventions. You agree to personally attend or have your designated manager (if approved by us) attend any and all required ongoing or refresher training.

[5] Additional Training, On-Site and Remote Assistance. You must pay us this fee if you request additional training or assistance from us after the Initial Training Program; or if you employ a new Studio Manager or name a new Designated Operator, who needs training; or if we require you to attend remedial training. You are also responsible for paying all of your travel, food, lodging, wages and wage related expenses and all other expenses incurred by you, your employees and/or your Studio Manager in receiving the training at HYU, or at another location designated by us. You may request on-site or remote assistance in the operations of the Studio from us after you have completed our Initial Training Program. If we provide on-site assistance to you at your Studio, you must also pay for our reasonable travel and living expenses while providing the assistance.

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

[7] Audit Fees. In the event that an audit discloses an understatement of Gross Sales or other discrepancy, in addition to the cost of the audit, you will be required to pay the Royalty Fee and Marketing Fund Contribution due on the amount of such understatement, plus late fees and interest.

[8] Upgrades and Maintenance. These costs include, among other things, general wear and tear of flooring, HVAC, humidifier, painting, and any potential signage or branding changes. We may change or modify the System that is presently identified by the Marks, including, the adoption and use of new or modified Marks or copyrighted materials. You may be responsible for any reasonable conversion costs.

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

[10] Business Management Software Fees. We will make available to you certain business management software programs that you will download onto your computer and use in the operation of the Studio, including MindBody Online, Constant Contact and music subscriptions. These services are provided by third-party vendors. Currently, the approved and required software programs for use in the Studio are "Mindbody," an online/web-based business management program, which costs approximately $150 per month; Constant Contact, an online marketing company, which costs approximately $50 per month; and music subscriptions, which cost approximately $60 per month. You will pay the third-party vendors directly for all fees associated with the use of the software and services. We have the right to access any and all information stored in the programs that pertains to the Studio through file transfer protocol or polling through the Internet, at our discretion.

[11] Site Evaluation Assistance Fee. The site selection assistance provided by us may include furnishing you with our confidential site evaluation criteria, consulting with and counseling you, and conducting field inspections and evaluations of proposed sites. This fee will vary based on our reasonable expenses incurred in performing an on-site evaluation, including, but not limited to, travel, lodging, meals and wages.

[12] Teacher Training Royalty. If you are approved to offer and provide teacher training at your Studio, you must use only Hapa Yoga training materials that we provide to you. Beginning one week from the day you begin offering teacher training classes at the Studio and continuing during the term of the Authorized Teacher Training Addendum, you must pay us weekly, without setoff, credit or deduction of any nature, a Teacher Training Royalty in an amount equal to twenty-five percent (25%) of the gross revenues you receive from Teacher Training Fees for teacher training classes provided at the Studio.

Area Development Agreement

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

Notes to Chart for Area Development Agreement:

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

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

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ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A STUDIO

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[2]	$30,000 - $40,000	Lump Sum, in cash or certified check	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training [3]	$3,000 - $4,500	As arranged	As incurred	Transportation Carriers, Hotel Facilities, Etc.
Real Estate/Lease[4] (3 months + Deposit)	$20,000 - $32,000	As arranged	As incurred	Landlord
Leasehold Improvements[5]	$50,000 - $150,000	As arranged	As incurred	Approved Suppliers, Architects and Contractors
Signage [6]	$2,000 - $4,000	As arranged	As incurred	Approved Suppliers
Yoga Supplies and Equipment[7]	$2,375 - $3,530	As required	As incurred	Approved Suppliers and Vendors
Furniture, Fixtures, Equipment and Office Supplies[8]	$4,300 - $13,550	As arranged	As incurred	Approved Suppliers and Vendors
Insurance[9] (3 months)	$500 – $1,000	As arranged	Before Opening Your Business	Insurance Carrier
Utility Deposits[10]	$0 - $250	As arranged	As incurred	Utility Suppliers
Computer System, Software, and Music Service[11]	$3,220 – $5,660	As arranged	As arranged	Approved Suppliers and Vendors
Retail Starter Kit[12]	$500-$1,000	Electronic Funds Transfer	At signing of Franchise Agreement	Us or our Print Vendor
Additional Retail Inventory [13]	$1,000 - $2,000	As arranged	As incurred	Approved Suppliers and Vendors
Grand Opening[14]	$5,000	As arranged	Before Opening	Approved Suppliers and Vendors
Licenses and Permits[15]	$2,000 - $4,000	As arranged	As arranged	Local, State or Federal Government
Professional Fees	$1,000 - $4,000	As arranged	Before Opening	Lawyers, Accountants, Etc.
Additional Funds[16] (3 months)	$40,000 - $45,000	As arranged	As incurred	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT [17]	**$164,895- $315,490**			

All amounts are non-refundable unless otherwise noted.

YOUR ESTIMATED INITIAL INVESTMENT PURSUANT TO AN AREA DEVELOPMENT AGREEMENT

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[2]	$70,000	Lump Sum, in cash or certified check	At signing of the Area Development Agreement	Us
Travel and Living Expenses While Training [3]	$3,000 - $4,500	As arranged	As incurred	Transportation Carriers, Hotel Facilities, Etc.
Real Estate/Lease[4] (3 months + Deposit)	$20,000 - $32,000	As arranged	As incurred	Landlord
Leasehold Improvements[5]	$50,000 - $150,000	As arranged	As incurred	Approved Suppliers, Architects and Contractors
Signage [6]	$2,000 - $4,000	As arranged	As incurred	Approved Suppliers
Yoga Supplies and Equipment[7]	$2,375 - $3,530	As required	As incurred	Approved Suppliers and Vendors
Furniture, Fixtures, Equipment and Office Supplies[8]	$4,300 - $13,550	As arranged	As incurred	Approved Suppliers and Vendors
Insurance[9] (3 months)	$500 – $1,000	As arranged	Before Opening Your Business	Insurance Carrier
Utility Deposits[10]	$0 - $250	As arranged	As incurred	Utility Suppliers
Computer System, Software, and Music Service[11]	$3,220 – $5,660	As arranged	As arranged	Approved Suppliers and Vendors
Retail Starter Kit[12]	$500-$1,000	Electronic Funds Transfer	At signing of Franchise Agreement	Us or our Print Vendor
Additional Retail Inventory [13]	$1,000 - $2,000	As arranged	As incurred	Approved Suppliers and Vendors
Grand Opening[14]	$5,000	As arranged	Before Opening	Approved Suppliers and Vendors
Licenses and Permits[15]	$2,000 - $4,000	As arranged	As arranged	Local, State or Federal Government
Professional Fees	$1,000 - $4,000	As arranged	Before Opening	Lawyers, Accountants, Etc.
Additional Funds[16] (3 months)	$40,000 - $45,000	As arranged	As incurred	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT [17]	**$204,895- $345,490**			

All amounts are non-refundable unless otherwise noted.

Notes:

[1] General. The initial investment table shows certain expenditures required to establish and operate a Studio. Note that these amounts may vary widely, and the amounts you have to spend or invest may be higher or lower than the estimated amounts, depending on location, size of the Studio, marketing conditions and other factors. We strongly recommend that you verify actual costs in your area, and for your intended location, and prepare a business plan and have it reviewed by your own independent adviser, like an accountant, before making any commitments to us or anyone else. Due to legal restrictions, we will not prepare, review or comment on any business plan for a prospective Franchisee.

All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any. These figures are estimates of the range of your initial costs in the first 3 months of operation only. Leasing and financing is available for many of the above expenses. We do not offer direct or indirect financing, but we may assist you in obtaining working capital through other sources. See Items 5 and 6 for more information regarding Initial Franchise Fees and other costs.

[2] Initial Franchise Fee and Development Fee**.** The Initial Franchise Fee and Development Fee (if applicable) is non-refundable. The amount of the Initial Franchise Fee is $30,000 for the first 10 franchisees who purchase a Studio; $35,000 for franchisees 11 through 20 who purchase a Studio; and $40,000 for all franchisees who purchase a Studio after the first 20 franchises have been sold. We also offer a $5,000 discount off the Initial Franchise Fee if you are: (i) converting an existing fitness facility to a Hapa Yoga Studio (a "Conversion Franchisee"); (ii) an employee of Franchisor or its affiliate; (iii) an employee of an existing Hapa Yoga Franchisee; (iv) a qualifying veteran; or (v) an existing Hapa Yoga Franchisee in Good Standing, who has continuously met the System Standards. The Development Fee disclosed here is for the required minimum 3 Studios developed under an Area Development Agreement and is due at the signing of the Area Development Agreement. The Development Fee will be applied to the Initial Franchisee Fee for each of the Studios developed under the Area Development Agreement. Please see Item 5 of this Disclosure Document for more detailed information on the Initial Franchise Fee and Development Fee. We do not provide financing for the Initial Franchise Fee or Development Fee.

[3] Travel and Living Expenses while Training. As described in Item 11, we will train you and your Studio Manager at no charge beyond the Initial Franchise Fee, but you must both attend the Initial Training at the same time. You are responsible for the wages, travel, and living expenses of your attendees. The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed.

[4] Real Estate/Lease. If you do not own adequate Studio space, you must lease suitable premises. The minimum size of a Studio under the Option 1 design, which contains 1 large classroom is 2,000 square feet, and the minimum size of a Studio under the Option 2 design, which contains 2 large classrooms is 2,700 – 3,000 square feet. These figures assume base monthly rental rates per square foot. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Studio, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You may also be required to pay a security deposit equal to a month's rent. The estimate covers the first 3 months of operation, and 1 month's rent as a security deposit.

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

[5] Leasehold Improvements. The cost of leasehold improvements will vary depending on (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost or materials and labor which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Studio. These figures are our best estimate based on construction/finish-out rates and conditions in San Diego, California. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These amounts may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease. The low-end of the range reflects modest improvements to a smaller location, and the high end reflects significant physical improvements to a larger Studio. If you are converting a pre-existing fitness studio that only requires minor improvements, your leasehold improvements may be less than shown here.

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

[7] Yoga Supplies and Equipment. This cost will vary depending upon the size of your Studio, and is in addition to the Retail Starter Kit that you will purchase from us. You will purchase these yoga supplies and equipment from Approved Suppliers and other vendors. These supplies include yoga blocks, straps, bolsters, blankets, resistant bands, and a dumbbell set.

[8] Furniture, Fixtures, Equipment and Office Supplies. This is a range of expenses that will be incurred when decorating and furnishing the Studio, including TV, tables, chairs, desk, retail displays, surveillance cameras and office expenses. You are required to have surveillance cameras with audio installed in the lobby and child-care room in the Studio. You will purchase the camera(s) and related accessories from an approved supplier. The camera(s) must be web accessible. You will use the camera to monitor quality assurance and safety. We have an absolute right to also review and monitor the camera(s) for the same purposes as you, and to ensure compliance with the Hapa Yoga System. You are responsible for ensuring customer consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera. Both the low-end and the high-end numbers represent a straight purchase of all furniture, fixtures and related supplies. The office expenses will include a telephone system.

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

[10] Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company.

[11] Computer System, Software and Music Service. You must acquire a Computer System for use in the operation of the Studio. Your computer system must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. You must install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, and the online point-of-sale ("POS") reporting system designated by us. The cost of the online POS system through our approved supplier, "Mindbody," is approximately $500 per month. You are solely responsible for obtaining your own employee-scheduling software. The range disclosed in the table above includes the estimated cost for: 1-3 computers (one may be a laptop); 1-2 iPads; 1 cash register drawer; 1 smartphone; 1-2 bar code scanners; 1-2 credit card readers; a thermal receipt printer; a business-grade color printer; Microsoft Office, Adobe, and other software; a sound system (Bose speakers); and 3 months of fees for the online POS System, music license/subscription, business management software, and Internet service. You are required to stream music into the Studio. The cost of the licensing fee for the music service is approximately $100 per year. You are responsible for setting up an account with the approved suppliers and/or vendors and paying them directly for their services. Please see Item 11 of this Disclosure Document for more information on the Computer System.

[12] Retail Starter Kit. You must purchase an opening inventory of proprietary products and other yoga-related products from us or from our approved print vendor when you sign the Franchise Agreement. The Retail Starter Kits includes Hapa Yoga® branded merchandise and yoga wear, such as T-shirts, tank tops, yoga pants, barre socks and water bottles, and other yoga-related products. See Item 5 of this disclosure document for a detailed list of products in the Retail Starter Kit. Currently, the cost of these items is $500 to $1,000, but these costs may vary.

[13] Additional Retail Inventory. This cost will vary depending on the size of your Studio, and is in addition to the Retail Starter Kit that you will purchase. These supplies include yoga mats, towels, headbands, mat carriers, mat sprays, china gel, toe grip socks, leggings, bottled water, and granola. You will set up your own account and buy these supplies directly from our approved vendors.

[14] Grand Opening. You must spend at least this amount on grand opening advertising and promotion of the Studio in your Protected Area. As part of our Initial Training Program, we will discuss with you the marketing and promotions strategy to be used during this period.

[15] Licenses and Permits. This range of costs covers the expense to acquire the required local business permits. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Studio. Our estimated costs include building permits, fire inspection, sales tax permit, and retail sales permits. If a child-care license is required and/or an electrical permit is necessary, the costs may be more. You should investigate applicable requirements in your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else.

[16] Additional Funds. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three months of operation of the Studio. These expenses include initial employee wages, management compensation (but not any draw or salary for you), ongoing purchases of equipment and supplies, marketing fees, continuing improvement of the Studio's physical features, local advertising, utilities, repairs and maintenance. Your cost will depend upon your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and sales of the Studio during the period. This estimate is based on our affiliates' experience in owning and operating Hapa Yoga Studios for more than 4 years.

This estimate does not guarantee that you will reach, and we're unable to reliably estimate when (if ever) you might reach, "break-even" or any other financial position. You will need capital to support on-going costs of your business, such as taxes, loan payments and other expenses, to the extent that revenues do not cover business costs. New businesses (franchised or not) often have larger expenses than revenues.

This amount is only an estimate. We cannot guarantee that the amounts specified will be adequate and you may need additional funds to open and operate. We do not furnish, or authorize anyone else, to furnish estimates as to the capital or other reserve funds necessary to reach "break-even" or any other financial position, or when or if you may be profitable, nor should you rely on any such estimates. In addition, the estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living," unrelated business or other expenses you may have.

The availability and terms of financing to you will depend upon factors such as the availability of financing in general, your credit-worthiness, the collateral security that you may have, and policies of lending institutions concerning the type of business you operate. This estimate does not include any finance charge, interest, or debt service obligation.

[17] Total Estimated Initial Investment. All of the above figures are estimates of certain initial start-up expenses. As noted above, it is not all-inclusive, and we cannot guarantee you will not have additional expenses in starting or operating the Studio. The total listed above does not include compensation for your time or labor or any return on your investment. Your costs will vary depending on such factors as: how closely you follow the Hapa Yoga System; your management and marketing skills, experience and general business ability; and local and general economic conditions, including disposable income. You should review these figures carefully with a business advisor (such as an accountant) before making any commitments. In preparing the figures in this chart, we relied on our affiliates' experience in owning and operating Hapa Yoga Studios.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods

You must purchase your yoga and exercise equipment, yoga supplies, teacher training materials, retail products, and other required products and supplies used at the Studio from suppliers that we approve, which may include us or an affiliate ("Approved Suppliers"), or under specifications in the Manual. These specifications include standards for performance, maintenance, design and appearance.

Required and Approved Suppliers

You must follow the standards and specifications we periodically establish for certain other equipment, supplies, computer hardware and software, and indoor and outdoor signs required for the Studio. You must purchase from Approved Suppliers and suppliers who meet our quality specifications.

We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. These suppliers may include, and may be limited to, us or an affiliate of ours. We are the sole Approved Supplier of certain Hapa Yoga® branded merchandise and yoga wear, such as T-shirts, tank tops, barre grip socks, water bottles, teacher training materials, and certain other yoga-related retail products that you are required to purchase and resale at the Studio. We are not currently an Approved Supplier of any other product or service you are required to purchase. On notice by us, you will immediately cease and desist from using/offering any equipment, products, and/or services otherwise not authorized by us. (Franchise Agreement, Section 8.5)

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

Approval of Alternate Suppliers

You can request the approval of an item, product, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. These charges may include reimbursement for reasonable travel, accommodations and meal expenses, plus a fee of up to $500 per inquiry for any personnel who are engaged in evaluating a supplier at your request. We will notify you in writing of our approval or disapproval within 90 days after you make a written request. (Franchise Agreement, Section 8.5E.)

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

Our specifications and standards for purchasing are in the Manual, as modified periodically.

Approvals of an alternative supplier, or any supplier, may be revoked by us at any time, in our sole discretion, for reasons that include, but are not limited to, quality and service deficiencies by the supplier, a desire to consolidate purchases with a different supplier, financial problems or insolvency of the supplier, and other reasons.

Insurance

You are obligated to obtain and maintain, at your sole expense, all of the insurance coverages that we require. Your policy or policies must be written by an insurance company licensed in the state in which you operate the Studio. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide, in accordance with standards and specifications set forth in the Manual. The standards may vary depending on the size of your Studio and/or other factors, such as what is customary for businesses of your type in your area, but we typically require: (i) All "Risks" or "Special" form coverage insurance on all yoga and exercise training equipment, furniture, fixtures, other equipment, supplies and other property used in the operation of the Studio; (ii) Workers' Compensation and Employer's Liability Insurance as required by law; (iii) Commercial General Liability Insurance with limits of $2,000,000 in the aggregate, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; abuse and molestation liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the franchised business; (iv) Business Interruption Insurance with coverage for a least 12 months for actual losses; and Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or otherwise determined by us and communicated to you.

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

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

Computer System

You must purchase the computer system that we specify, including computer hardware, software, inventory control systems, smart phone, and high-speed network connections (collectively, the "Computer System"). The component parts of the Computer System must be purchased from approved suppliers. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. The Computer System is described in more detail in Item 11 of this Disclosure Document.

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards that we approve in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with the sale of products and services at the Studio, you are required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the term of your Franchise Agreement. You are responsible for the security of cardholder data in your possession or control and in the possession or control of any of your employees that you engage to process credit cards. You must, if we request that you do so, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all your employees. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, you must immediately notify us in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion.

Our Ownership Interest in a Supplier

Our CEO, Tina Knight Ardolino, owns an interest in us, and we are the Approved Supplier of the Hapa Yoga teacher training materials, Hapa Yoga branded merchandise and certain other yoga-related retail products that you are required to purchase and resale at the Studio.

Revenues from a Supplier

In the future, we may receive revenues from an Approved Supplier(s), although the basis for determining the amount of such revenues has yet to be determined. We and/or our affiliates may receive promotional allowances, rebates, volume discounts and other payments, services or consideration from suppliers based on your purchases or leases from those suppliers.

Revenue from Franchisee Purchases

We will derive revenue from your required purchases of Hapa Yoga branded merchandise and yoga wear, and certain other yoga-related retail products from us. Since we are a new franchisor, we have not yet derived any revenue from your required purchases.

During the fiscal year ended December 31, 2018, we did not receive any revenue or other material benefits from required purchases or leases by you. Based upon the operating results of our affiliate-owned Hapa Yoga Studio, we estimate that your required purchases, purchases from Approved Suppliers and purchases that must meet our specifications in total will be about 10% to 20% of your total purchases to establish the Studio and about 10% of your purchases to continue the operation of the Studio.

Cooperatives

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

Material Benefits

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

Negotiated Prices

We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment used in the operation of the Studio, which may result in cost saving benefits to our franchisees.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Sections 1.2, 6.1, 6.2 and 7.2 of Franchise Agreement Section III(d) of Area Development Agreement	Items 11 and 12

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
b. Pre-opening purchases/leases	Sections 6.1, 6.2, 7.2 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 6.1 and 6.2 of Franchise Agreement Section VI of Area Development Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Section 6.3 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 11
e. Opening	Sections 2.2 and 6.9 of Franchise Agreement None in Area Development Agreement	Item 11
f. Fees	Sections 3.2, 5, 9.1 and 14.2 of Franchise Agreement Section III of Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies / Operating Manual	Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8.7 and 9.3 of Franchise Agreement Section VI of Area Development Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.1, 4, and 12.1 of Franchise Agreement Section VII of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 8.8 and 15.2B(13) of Franchise Agreement None in Area Development Agreement	Not Applicable
k. Territorial development and sales quotas	Section 8.8 of Franchise Agreement None in Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8.4 and 10.3 of Franchise Agreement None in Area Development Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3.2 and 7.4 of Franchise Agreement None in Area Development Agreement	Items 6 and 17
n. Insurance	Section 10.4 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 8
o. Advertising and Marketing Fund	Sections 5.4, 5.5 and 9 of Franchise Agreement None in Area Development Agreement	Items 6 and 11
p. Indemnification	Sections 8.5 and 11.2 of	Item 6

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
	Franchise Agreement Section XII of Area Development Agreement	
q. Owner's participation/ management/staffing	Sections 6.3 and 8.6 of Franchise Agreement None in Area Development Agreement	Item 15
r. Records and reports	Sections 10.1 and 10.3 of Franchise Agreement Section VI(c) of Development Agreement	Item 11
s. Inspections and audits	Sections 8.2 and 10.2 of Franchise Agreement None in Area Development Agreement	Items 11
t. Transfer	Section 14 of Franchise Agreement Section IX of Area Development Agreement	Items 6 and 17
u. Renewal	Section 3.2 of Franchise Agreement None in Area Development Agreement	Item 17
v. Post-termination obligations	Sections 13.1 and 15.4 of Franchise Agreement Section X of Area Development Agreement	Item 17
w. Non-competition covenants	Sections 12.2 and 13 of Franchise Agreement Section X of Area Development Agreement	Item 17
x. Dispute resolution	Section 16 of Franchise Agreement Section XIX of Area Development Agreement	Item 17
y. Other: Guarantee of Performance	Section 2.2B. and Exhibit 4 of Franchise Agreement Section XX and Exhibit C of Area Development Agreement	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or Area Development Agreement. We do not guarantee your note, lease or any other obligation.

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

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

A. **Pre-Opening Assistance**

Franchise Agreement

Before you open the Studio:

1. We will provide you and your Studio Manager with training within the 30-60 calendar day period preceding the opening date of the Studio. You may have one additional employee (for a maximum of three attendees) attend the initial training, simultaneously with you and the Studio Manager at no charge. You and your proposed Studio Manager must attend and complete, to our satisfaction, our initial training program. We will determine whether you and your Studio Manager have satisfactorily completed our initial training. If you do not satisfactorily complete training, we may terminate the Franchise Agreement. You must pay for all expenses you and your Studio Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages.

2. We will provide to you our current written Site Selection Guidelines. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities that attract consumers and generate traffic. At your request, we may, at our election, assist you in selecting a site for the Studio. If we assist you, we may charge you a Site Evaluation Assistance Fee to cover our reasonable costs and expenses in performing an on-site evaluation. At your request, we may also assist you in negotiation the lease or sublease for the Studio premises.

If you locate a site, we will accept or reject the site within 30 days after receipt of the Location Report from you. We use a software program to evaluate the demographics of a market area for site selection approval. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may cancel the Franchise Agreement.

3. Concurrently with the execution of your Franchise Agreement, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. The Manual consists of 280 pages. We may modify the Manual. (Franchise Agreement, Section 6.4.) The Table of Contents of the Manual is attached to this Disclosure Document as **Exhibit E.**

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

5. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with a list of the yoga fitness equipment and gear, standard fixtures, furnishings, supplies, and signs to be used in the Studio, as well as a list of Approved Suppliers (Franchise Agreement, 6.6).

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

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

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

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

B. **Typical Length of Time Before Operation:**

We will authorize the opening of your Studio when (i) all of your pre-opening obligations have been fulfilled, (ii) pre-opening training has been completed, (iii) all amounts due us have been paid, (iv) copies of all insurance policies (and payment of premiums) and all other required documents have been received by us, and (v) all permits have been approved. The length of time between the signing of the Franchise Agreement, and payment of your initial franchise fees, and the opening of your Studio must be within nine (9) months. If you are a Conversion Franchisee, your Studio must be open within three (3) months of signing the Franchise Agreement. In certain instances, and in our sole discretion, we may extend the opening time an additional three (3) months, or one (1) month if you are a Conversion Franchisee.

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

During the operation of the franchised business:

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

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

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

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

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

6. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom

you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at the Studio for which we have not established Approved Suppliers. (Franchise Agreement, Section 6.5)

D. **The Marketing Fund and Advertising**

We have established a Marketing Fund. You will contribute a weekly sum equal to 1.5% of your Gross Sales for the prior month to the Marketing Fund for national advertising and marketing services ("Marketing Fund Contribution"), beginning one month from the day the Studio is first opened for business. Your weekly payments will be calculated by dividing the Marketing Fund Contribution based on the prior month's Gross Sales by four. We will make contributions to the Marketing Fund for all Studios owned by us or our affiliates on the same basis as Hapa Yoga franchisees. We will manage the Marketing Fund and have sole discretion over all matters relating to it.

We will direct all public relations, advertising and promotions with sole discretion over the message, creative concepts, materials and media used in the programs and the placement and allocation thereof. We will pay for these activities from the Marketing Fund. The Marketing Fund contributions may be used for traditional advertising activities, such as website development, social media, public relations, advertising campaigns (television, radio, print or other media), or other promotions which will raise awareness of the Hapa Yoga brand.

We are not obligated to ensure that Marketing Fund activities or dollars are spent equally, on a pro rata basis, either on your Studio, or all Studios in an area. A brief statement regarding the availability of Hapa Yoga franchises may be included in advertising and other items produced using the Marketing Fund, but we will not otherwise use the Marketing Fund to pay for franchise sales or solicitations.

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

We are not required to spend all Marketing Fund contributions in the fiscal year they are received.

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

Because we have only recently sold one franchise, we have not yet collected any Marketing Fund Contributions. Therefore, during the fiscal year ended on December 31, 2018, the Marketing Fund spent 0% of its contributions on production, 0% on media and public relations, 0% on administrative expenses, 0% on sponsorships, and 0% on internet related matters.

You are responsible for local marketing activities to attract members to your Studio. You may develop advertising materials for your own use, at your own cost. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. You must first obtain our advanced written approval before any form of co-branding, or advertising with other brands, products or services. (Franchise Agreement, Section 9.2)

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

We have not yet established a local or regional advertising cooperative. We may, in the future, decide to form one or more associations and/or sub-associations of Hapa Yoga Studios to conduct various marketing-related activities on a cooperative basis (a “Co-Op”). If one or more Co-Ops (local, regional and/or national) are formed covering your area, then you must join and actively participate. You may be required to contribute such amounts as are determined from time to time by such Co-Ops. (Franchise Agreement, Section 9.4)

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

E. **Training:**

Before the opening of your Studio, we will provide you and your Studio Manager with a mandatory Initial Training Program at our training facility Hapa Yoga University (“HYU”) located at our headquarters, which is currently in San Diego, California. You may have up to 3 individuals, including yourself and your Studio Manager, attend the Initial Training Program, at no charge if all 3 attendees receive training at the same time. If the franchisee is a business entity, then the Designated Operator(s) named in the Franchise Agreement and the Studio Manager must successfully complete the Initial Training at HYU and any additional required training, and, also comply on an ongoing basis with all training requirements to our satisfaction. Subject to availability, and with our approval, you may have additional employees attend HYU, simultaneously with you, at a cost of $200, per additional attendee, for training materials. You are responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with training for you and your employees.

The length of our Initial Training Program is 10 days with 8 hours of training each day, or for any other time period as we select in our sole discretion. The training covers the basic aspects of establishing and operating a Studio, including yoga techniques, retail training, the POS computer system, forms, cost control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards. You and your Studio Manager must attend all scheduled training days and times, and must complete the Initial Training Program to our satisfaction.

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Welcome & Introductions	2		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Phase 1 – Pre-Opening Training	8		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Front Desk: Client Interfacing Procedures	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Front Desk: Retail Training	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Front Desk: Class scheduling and maintenance	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Child Care & Facility Maintenance Training	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Office and Administration	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
Marketing	7		At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
On-Site Shadowing		38	At our headquarters, which is currently located in San Diego, California (or at a location later designated by us)
TOTAL	**42**	**38**	

Tina Knight Ardolino, whose biography is listed in Item 2, is in charge of the training program. She has over 6 years of experience in the fitness industry, working for our affiliates and us. We normally conduct our training quarterly, as needed. Our primary instruction is through hands-on training, videos, the Manual and other instructional materials we prepare specifically for the Hapa Yoga Teacher Training Program.

You and the Studio Manager must successfully complete the Initial Training Program to our satisfaction prior to opening the Studio for business. All Studio Managers employed after the Studio is opened must complete the Initial Training at HYU. Each Studio Manager shall attend and complete the next available classes at HYU following the commencement date of his/her employment.

Mandatory RYT Training

You, the Studio Manager, and all yoga instructors at the Studio must be certified with a minimum of 200 hours through Yoga Alliance (RYT®), which is a credential earned by yoga teachers whose training and teaching experience meet Yoga Alliance Registry Standards. An RYT must complete training with a Registered Yoga School (RYS®), be confirmed by RYS and keep current with continuing education and their annual fees. We are an RYS and we offer teacher training. You and the teachers at the Studio may elect, but are not required, to receive your RYT training from us. If you receive your training from us prior to the opening of your Studio, we currently charge $2,000 per trainee for a 200-hour "Hatha and Vinyasa Yoga" teacher training course, which is discounted from our consumer rate. You may also receive this training at a Hapa Yoga Studio that is authorized by us to provide the training, or you may receive it from another Registered Yoga School. If you would like us to provide private teacher training at your Studio prior to opening, you must have a minimum of ten (10) trainees. If we provide the training at your Studio, you must pay our reasonable travel and living expenses in addition to the fee we charge for the course. If you request this training from us after the opening of your Studio, you will pay our then-current consumer rate for such training. (Franchise Agreement, Section 6.3B)

Ongoing/Refresher Training

From time to time, we may offer system-wide ongoing or refresher training to the Hapa Yoga franchisees and/or their teachers for a reasonable fee, such training may include courses, meetings, seminars and conventions. You must personally attend or have your designated manager (if approved by us) attend any and all required ongoing or refresher training. In addition to paying any required training fee(s), you will be responsible for all compensation, travel and living expenses for you and/or your manager and teachers during training. (Franchise Agreement, Section 6.3C.)

Additional Training, On-Site and Remote Assistance

If, after you complete the Initial Training Program, you want additional training for yourself or any of your employees, or if you hire a new Studio Manager or name a new Designated Operator, we will provide you with additional training at HYU, or at another location designated by us. Additionally, we may require you, the Designated Operator and/or the Studio Manager to attend remedial training. We charge a fee of $35 per hour for remote assistance (e.g., phone calls, emails, texts, etc.) and $500 per day for additional training and on-site assistance. You must pay all of your travel, food, lodging, wages and wage related expenses and all other expenses incurred by you, your employees and/or your Studio Manager and/or your Designated Operator in receiving the additional training. You may request on-site or remote assistance in the operations of the Studio from us after you have completed our Initial Training Program. If we provide on-site assistance to you at your Studio, you must also pay for our reasonable travel and living expenses while providing the assistance.

F. **Computer System, including POS System**

You must purchase, or lease, and maintain the Computer System that we designate, which includes 1-3 computers (one may be a laptop), 1-2 iPads, a POS system, 1 cash register drawer, 1 smartphone, 1-2 bar code scanners, 1-2 credit card readers, a thermal receipt printer, a business-grade color printer, Microsoft Office, Adobe, Business Management Software, and other software, a sound system, and a music license/subscription (e.g., Spotify and Pandora).

You must record all of your receipts, expenses, invoices, member lists, class schedules, and other business information promptly in the computer system and use the software that we specify or otherwise approve. Currently, the approved and required POS system for use in the Studio is "Mindbody," an online/web-based business management program used for class scheduling, processing member credit and debit card payments, keeping your business records and generating business reports among other things. At this time, we have approved no other compatible program. The details of these standards and requirements will be described in the Manual or otherwise in writing and may be modified in response to changes in marketing conditions, business operating needs, or technology.

You must allow our approved supplier to upgrade the proprietary database configuration of the required software for the computer in your Studio as we determine necessary. Our approved supplier may provide you periodic updates to maintain the software and may charge a fee for preparing the updates and maintaining the software. There are no limitations on the frequency and cost of the updates. The system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain.

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

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

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. The approximate cost of the Computer System including a computer or tablet computer, hardware, software, licenses, POS system, and sound system ranges between $3,220 to $5,660. The approximate cost of any annual maintenance, upgrades or updates, and/or maintenance support contracts varies widely from $150 to $1,500.

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

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ITEM 12 TERRITORY

You will operate the Studio at a specific location approved by us (an "Authorized Location"). You must receive our permission before relocating the Studio. If we consent to you relocating the Studio, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Studio was located. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Studio, and we have the right to charge you a reasonable fee for our services in connection with any such relocation.

So long as you are in good standing, you may receive a non-exclusive protected radius around your Studio's authorized location. Depending on a number of factors, the protected radius will range from three (3) to five (5) miles, unless the Studio is located in a densely populated urban environment, such as a downtown metropolitan area, and, in such case, you will not receive any protected radius. We will analyze a market or territory using a number of factors including population density, income, traffic patterns, number of residences versus businesses, and will determine, with you, prior to executing of a franchise agreement what radius, if any, the Studio will receive.

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

If you have been granted a protected radius, neither we nor our affiliates will operate or establish, or authorize another Hapa Yoga franchisee to operate or establish, a Studio within your protected radius. You may face competition from other franchisees, from Hapa Yoga Studios that we own, or from other competitive brands that we control outside your protected radius.

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

You may not solicit members inside the protected territories granted to other Hapa Yoga franchisees, or territories held by us or our affiliates. You are not entitled to any compensation, allowance, payment or other consideration on account of any members who live or work within your protected territory and who become members of Hapa Yoga Studios owned by others.

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

(1) own and/or operate, and/or authorize others to own and/or operate any kind of business using the Marks we have licensed to you, whether or not using the same Mark; including, without limitation, other franchises, whether or not using the same Mark and System licensed to you.

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

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

Internet Sales / Alternative Channels of Commerce

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

System Standards

We may choose, in our sole discretion, to evaluate your Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service. (Franchise Agreement, Section 8.9)

Area Development Agreement

The “Designated Territory” under an Area Development Agreement may be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries and other factors we deem appropriate. You will receive no exclusive rights to the Designated Territory. So long as you are in good standing and in compliance with the Area Development Agreement, we will not establish or license another to establish a Hapa Yoga Studio in the Designated Territory.

We reserve the right to:

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

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

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

(4) solicit, and allow others to solicit, prospective members located anywhere, including those members who live or work within the Designated Territory;

(5) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Hapa Yoga Studios, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

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

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

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

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

ITEM 13 TRADEMARKS

We grant you the right to operate a Studio under the trade name "Hapa Yoga." You may also use other current or future trademarks to operate the Studio that we designate. By trademark, we mean trade names, trademarks, service marks, and logos used to identify the Studio. The following Marks are registered, or have applications pending, by our Licensor on the Principal Register of the United States Patent and Trademark Office, and are licensed to us pursuant to an agreement dated February 6, 2017:

MARK	REGISTRATION NO.	REGISTRATION DATE	CLASS
Hapa Yoga (Word Mark)	Reg. No. 4755590	Reg. Date: June 16, 2015	41
Hapa Yoga & Fitness	Reg. No. 87814505	Reg. Date: October 9, 2018	35

Affidavits of use and incontestability will be filed at the time specified by law.

The license agreement, between Licensor and us, has an indefinite term and does not significantly limit our right to use or license the trademarks in any manner material to the franchise.

We have no information regarding any claims of, or agreements with, any third parties that significantly limit our rights to use the trademarks and/or service marks.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Administrator of any State, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any State. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the Hapa Yoga System.

You must use all Marks in compliance with your Franchise Agreement and the Manual. You cannot use the "Hapa Yoga" name or any of the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You must not use any other trade names or trademarks in the operation of the Studio without first obtaining our written consent. You must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the Marks as domain names.

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

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to the benefit of Franchisor and has our prior written approval. Upon the termination or cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks which you may have used in connection with the Franchise Agreement.

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

We are not aware of any prior superior rights or infringing uses that would materially affect your use of the Marks. But, there is always a possibility that there might be one or more businesses, similar to the business covered by the Franchise, operating in or near the area(s) where you may do business, using a name, trademark and/or trade dress similar to the Marks and with superior rights to the name and/or trademark. We strongly urge you to research this possibility, using telephone directories, local filings and other means, before you pay any money, sign any documents or make any binding commitments. If you do not research the possibility of other trademarks in this business, you may be at risk.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual. The Manuals are described in Item 11. Item 11 also describes the limitations on the use of the Manual by you and your employees.

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise. However, we or our Licensor claim copyrights on certain forms, advertisements, promotional materials, software source code and other Confidential Information as defined below.

There currently are no effective determinations of the Copyright Office (or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. Other than the agreement with our Licensor, no agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

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

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of your Studio under a Hapa Yoga Franchise Agreement; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and (iii) follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. (Franchise

Agreement, Section 12)

We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Studio that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchise business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

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

Under the Franchise Agreement, we do not require, but do recommend, that you (or the Designated Operator) personally supervise the Studio. You may designate a Studio Manager, who has been certified with a minimum of 200 hours through RYT, and has successfully completed our Initial Training Program and any additional training that we may reasonably require, and meets our then-current standards, to assist in the direct, day-to-day supervision of the operations of the Studio, or to be the on-premises supervisor if you choose not to personally supervise the Studio. If you are a business entity, your designated Studio Manager need not hold an ownership interest in the business to be the on-premises supervisor.

You are solely responsible for the hiring and management of the Studio employees, for the terms of their employment and for ensuring their compliance with any training or other requirements established by us. You will keep us advised, in writing, of any Studio Manager involved in the operation of the Studio and their contact information.

You and your managers and employees must comply with the confidentiality provisions described in Item 14. You must execute a personal guaranty concurrently with the signing of the Franchise Agreement. If you are a legal entity, having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in the franchised business must execute a personal guaranty. We may require your spouse or domestic partner to co-sign the personal guaranty. (Section 2.2B of the Franchise Agreement)

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell, only and all those products and services, and deal only with those suppliers, that we authorize or require, and have authorized (See Item 8). Principally, this means you must purchase the amount and type of equipment, including yoga supplies and exercise equipment (e.g., blocks, mats, straps, fitness balls, resistance bands, bolsters, etc.), and offer only those types of yoga and exercise classes that we authorize. Failure to comply with our purchasing restrictions can (and probably will) result in the termination of your Franchise Agreement.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time, without limit, except we will not require you to thoroughly modernize or remodel the Studio no more than once every 5 years. You will not make any material alterations to your Studio or its appearance as originally approved by us without our prior written approval. We may periodically set maximum or minimum prices for services and products offered at the Studio.

You may not sell any products or service through alternative channels of distribution (including the Internet.) You must discontinue selling or offering for sale any services or products that we at any time decide to disapprove in writing.

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

All memberships or other rights of access to your Studio ("Memberships") must be controlled by a written agreement (the "Hapa Yoga Membership Agreement"), which cannot extend for a term that is longer that the term of the Franchise Agreement. You must only use our current, standard form of Hapa Yoga Membership Agreement, which is provided in the Manual, to sell memberships at the Studio. You must not modify the standard form without our prior written consent. All Memberships must be sold in strict compliance with our System Standards and the terms of the Franchise Agreement. It is your responsibility to determine that you are complying with all laws and regulations applicable to the Studio or your sale of Memberships.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	The term is 10 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Section 3.2	You have the option to extend the term for one additional 10-year period.
c. Requirements for renewal or extension	Sections 3.2, 3.3, and 3.4	You have complied with all of the Franchise Agreement provisions; you are not in default of the Franchise Agreement; you have brought the Studio into compliance with our current standards; you have given us notice of renewal; you have signed a then-current form of Franchise Agreement; and you have signed a general release in substantially the form of **Exhibit F** to this disclosure document. You must give us notice of your intent to renew no less than 90 days or more than 180 days before the Franchise Agreement expires. The new Franchise Agreement may contain terms and conditions that are materially different from your original Franchise Agreement. We charge a renewal fee of $5,000.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	Section 15.1	You may terminate the Franchise Agreement for cause if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 calendar days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	The Franchise Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section 15.2 and 15.3	We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement. A default by you under the terms and conditions of the Franchise Agreement or any other such agreement, will, at our option, constitute a default under all such agreements.
g. "**Cause**" defined – curable defaults	Section 15.2B	The following constitute curable defaults: you fail to comply with the System Standards; or refuse to make payments due and do not cure within 10 business days; or fail to comply with any provision of the Franchise Agreement not otherwise mentioned in (h.) below or any mandatory specification and do not cure within 10 calendar days or 30 calendar days.
h. "**Cause**" defined – non-curable defaults	Section 15.2A	The following events constitute non-curable defaults: failure to properly establish and equip the premises; failure to complete training; make a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony, or other crime or offense that can adversely affect the reputation of you, us or the Studio; make unauthorized disclosure of confidential information; abandonment of the Studio for 2 business days or more in any 12-month period, unless otherwise approved; surrender of control of the business; unauthorized transfer; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; your misuse of the Marks; failure on 3 occasions within any 24 consecutive month period to pay amounts due, or otherwise to comply with the Franchise Agreement; violate any health, safety or sanitation law or conduct your operation in a manner creating a safety hazard; or violating the rights and restrictions of your territory.

Provision	Section in Franchise Agreement	Summary
		Operating a competing business.
i. Franchisee's obligation on termination/non-renewal	Sections 12, 13 and 15.4	Your obligations include: stop operations of the Studio; stop using the Marks and items bearing the Marks; stop using "Hapa Yoga" in any form as part of your corporate name; cancel any assumed name that contains any Mark; de-identify the premises from any confusingly similar decoration, design or other imitation of a Studio; stop advertising as a Hapa Yoga franchise; pay all sums owed; pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement; return the Manual and other confidential information to us; return all signs to us; assign your telephone and facsimile numbers, electronic mail and internet addresses to us; sell to us, at our option, all assets of the Studio, including inventory, equipment, supplies and items bearing the Marks; and comply with the covenants not to compete.
j. Assignment of contract by franchisor	Section 14.7	We may sell or assign some or all of our business to any subsidiary or affiliate of Hapa Yoga any purchaser of Hapa Yoga or any purchaser of the Marks and related business.
k. "Transfer" by franchisee definition	Section 14.1	You may sell or assign your business, but only with our approval. We have sole discretion over whether to approve or disapprove an assignment.
l. Franchisor approval of transfer by franchisee	Sections 14.1 and 14.3	We have the right to approve all your transfers. We may place reasonable conditions on our approval of any transfer.
m. Conditions for franchisor approval of transfer	Section 14.3	You must be in compliance with all agreements, the Manual, all contracts with any party, and transferee must assume all obligations under these agreements; transferee meet our then-current requirements and complete or agree to complete our training program for new franchisees; all sums due must be paid; all obligations to third parties must be satisfied; the Studio must be in full compliance with the Manual and standards and specifications for new Hapa Yoga Studios; the transferee must satisfactorily complete training.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right to acquire franchisee's business	Section 14.2	We have a right of first refusal on any proposed transfer, upon the same terms and conditions offered by the proposed transferee.
o. Franchisor's option to purchase franchisee's business	Section 15.4 I.	We have the option**,** exercisable by giving 30 days written notice to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Studio, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Studio. In addition, we have the option to assume your lease for the lease location of the Studio, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease.
p. Death or disability of franchisee	Section 14.5	Must be transferred within six (6) months.
q. Non-competition covenants during the term of the franchise	Section 13	You must not have any interest in any competitive business specializing, in whole or in part, in the sale of franchises or products that are the same as or similar to any product or service provided through the Studio.
r. Non-competition covenants after the franchise is terminated or expires	Section 13	You must not operate a fitness or exercise Studio similar to the Hapa Yoga Studio from the premises or within a 5-mile radius of any Hapa Yoga Studio for 2 years after termination.
s. Modification of the Franchise Agreement	Section 19	The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the System through changes in the Manual.
t. Integration/merger clause	Section 19	Only the terms of the Franchise Agreement are binding (subject to state law) and may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable. Nothing in this or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 16	Except for claims relating to the confidential information or the Marks, any claim arising out of or relating to the Agreement or the relationship of the parties, and any controversy regarding the establishment of the fair market value of assets of the Studio will be resolved in binding arbitration before a single arbitrator in in the county where our then-current headquarters is located. These provisions are subject to state law.
v. Choice of forum	Section 17.4	Any action that is not subject to arbitration must be brought in state or federal court nearest to our then current principal place of business (subject to applicable state law.)
w. Choice of law	Section 17.3	California law applies (unless prohibited by laws of the state where the Studio is located.)

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AREA DEVELOPMENT AGREEMENT

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

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
a. Length of the term of the Area Development Agreement	Section V	The rights granted under the Area Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Studio to be developed.
b. Renewal or extension of the term	Not Applicable	
c. Requirements for developer to renew or extend	Not Applicable	
d. Termination by developer	Section VIII (f)	If we are in material breach and fail to cure or remedy the breach within 30 days after receiving written notice from you, you may terminate the Area Development Agreement if you are in substantial compliance. Your right to terminate is subject to state law.
e. Termination by franchisor without cause	Not Applicable	The Area Development Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section VIII	If you are in default of the Area Development Agreement, or any individual Franchise Agreement, we will have cause to terminate the Area Development Agreement.
g. "Cause" defined – curable defaults	Not Applicable	The Area Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined – non-curable defaults	Section VIII	The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Area

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

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
		sell an interest under the Area Development Agreement made by you.
n. Franchisor's right of first refusal to acquire developer's business	Section IX(e)	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Franchisor's option to purchase developer's business	Section IX(e)	We have 15 days from notice of the offer to purchase your ownership interest or your assets at the same terms as contained in the offer.
p. Death or disability of developer	Not Applicable	See rows k., l. and m. above. While your death or disability is not specifically addressed in the Area Development Agreement, a transfer of shares upon the death of an owner of the area developer (or a transfer of the agreement upon your death if you are an individual) would be treated the same as any other transfer.
q. Non-competition covenants during the term of the franchise	Section X	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; or own or otherwise have any interest in any "competitive business." You will also be bound by and comply with the covenants in each Franchise Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. The term "Competitive Business" means any business (other than a Hapa Yoga Studio) principally offering products substantially similar to the products and services than being offered by the majority of the Hapa Yoga Studios.
r. Non-competition covenants after the franchise is terminated or expires	Section X(b)	You must not own or operate a Competitive Business for 2 years after the Area Development Agreement is terminated within the Designated Territory or within a 10-mile radius of any Hapa Yoga Studio. You will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Area Development Agreement.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
s. Modification of the Area Development Agreement	Section XVI	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/ merger/clause	Section XVI	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section XIX(a)	Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in arbitrator in the county where our then-current headquarters is located. These provisions are subject to state law.
v. Choice of forum	Section XIX(e)	Any action will be brought in the appropriate state or federal court nearest to our then-current principal place of business (subject to applicable state law.)
w. Choice of law	Section XIX(h)	California law applies (subject to applicable state law.)

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in **Exhibit G,** State Specific Addenda, to this Disclosure Document.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Our affiliate Hapa Yoga LLC opened the first Hapa Yoga Studio in the Mission Valley area of San Diego, California, in September 2012 ("Hapa Yoga MV"). Our affiliate Hapa Yoga South Corp. opened the second Hapa Yoga Studio in Chula Vista, California, in December 2015 ("Hapa Yoga CV"). The information provided below is for the 2018 December Year-End for each Studio.

Data for Existing Studios (need update)

Studio	Length of Time Open	Number of Instructors[1]	Number of Workers at Front Desk / Child Care[2]	Clients Per Day[3]	Average Amount Received Per Client[4]
Hapa Yoga MV	6.5 years	28	7	160	$10 - $15
Hapa Yoga CV	3 years	15	8	100	$10 - $15

Note 1: Our affiliates utilize a combination of independent contractors and employees as instructors. You should obtain independent legal advice from an employment attorney to determine if the organization of your studio and your management of independent contractors qualifies them as employees under your state law, or federal law.

Note 2: Our affiliates offer child care from 8 AM to 7 PM weekdays and during open hours on the weekends.

Note 3: This is an average. Each Hapa Yoga Studio is open 7 days per week and offers 7 - 13 classes per day.

Note 4: These amounts include discounts, as well as payments for child care services.

Estimated Costs and Expenses for an Established Studio

The following information is based on actual historical data drawn from the experiences of our affiliates, Hapa Yoga CV and Hapa Yoga MV, in the operation of their Studios, which are similar to the "Option 2" Studio design. The figures and information below are the monthly averages for each Studio for the past two full calendar years. A royalty has been added to the Variable Costs. Need update

Monthly Cost of Services Sold	MV 2016	MV 2017	MV 2018	CV 2016	CV 2017	CV 2018
Revenue	$40,000	$48,000	$50,000	$22,150	$38,730	$38,250
Fixed Expenses						
Occupancy (Rent, CAM, Utilities & Insurance)[1]	$6,000	$9,200	$13,500	$6,448	$7,148	$7,765
Labor (no mgmt. salary)[2]	$14,700	$18,000	$14,587	$9,600	$15,000	$20,000
Info Technology[3]	$150	$360	$860	$230	$300	$420
Variable Costs						
Royalties	$1,600	$1,920	$2,000	$886	$1,549	$1,530
Local Marketing[4]	$1,200	$1,440	$940	$665	$1,162	$1,147
Merchant Services[5]	$960	$1,200	$1,250	$554	$1,000	$956

Monthly Cost of Services Sold	MV 2016	MV 2017	MV 2018	CV 2016	CV 2017	CV 2018
Supplies	$960	$800	$1,137	$250	$475	$475
Cost of Goods Sold	$1,200	$1,000	$1,680	$800	$1,500	$500
Misc./Additional Monthly Expense[6]	$1,200	$1,000	$1,200	$1,000	$1,000	$1,200
Total Expenses	$27,970	$34,920	$37,154	$20,432	$29,134	$33,993
Gross Profit	$12,030	$13,080	$12,846	$1,718	$9,596	$4,247

Note 1: The Mission Valley Studio was approximately 2,700 square feet in 2016; rent increased in 2017 as the Studio expanded by adding 2,000 additional square feet. The Chula Vista Studio is approximately 3,000 square feet and is representative of the recommended size of future locations in an "A" or "B" class commercial/retail center with ample parking. This amount includes monthly rent, CAM, utilities and insurance.

Note 2: Labor costs, on average, represent 37%-52% of gross revenues, as independent contractor teachers typically earn 50% of the revenue for each class they teach. Most instructors are independent contractors (1099), while front desk and child care are W-2 employees.

Note 3: This is the current monthly fee for our required MindBody Online POS System software. You may have additional fees for other software programs, such as, Spotify, MailChimp/Constant Contact, accounting software, etc.

Note 4: Local Marketing is a mix of print, direct mail, website and social media. At least initially, we expect a new franchised studio would spend up to three percent (3%) of gross revenues on local marketing.

Note 5: Merchant Services typically consist of charges for credit card processing.

Note 6: Cleanliness is a core value, so our affiliate pays a professional cleaner on a monthly basis.

Some Hapa Yoga Studios have earned these amounts. Your individual results may differ. There is no assurance you will earn as much. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

This Item 19 was prepared without an audit. Prospective owners or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Other than the preceding financial performance representation, Hapa Yoga Holdings, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tina Knight Ardolino at 4242 Camino del Rio North, Suite #10, San Diego, CA 92108 or (619) 504-2528, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2016 TO 2018

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED				
	2016	0	0	0
	2017	0	0	0
	2018	0	1*	+1
COMPANY-OWNED **				
	2016	2	2	0
	2017	2	2	0
	2018	2	1	-1
TOTAL OUTLETS				
	2016	2	2	0
	2017	2	2	0
	2018	2	3	+1

*The franchisee signed a franchise agreement in 2018, but the Studio is still under construction. The contact information for this franchisee is included in Exhibit H.

**The Company-owned Outlets are owned and operated by our affiliates, Hapa Yoga LLC and Hapa Yoga South Corp.

TABLE 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN HAPA YOGA HOLDINGS, INC.)
FOR THE YEARS 2016 TO 2018

STATE	YEAR	NUMBER OF TRANSFERS
CALIFORNIA		
	2016	0
	2017	0
	2018	0
TOTAL OUTLETS		
	2016	0
	2017	0
	2018	0

TABLE 3
STATUS OF SINGLE UNIT FRANCHISE OUTLETS
FOR YEARS 2016 TO 2018

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMI-NATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS -OTHER REASONS	OUTLETS AT END OF THE YEAR
CA								
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	+1
TOTAL								
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	+1

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS*
FOR YEARS 2016 TO 2018

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
CA							
	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
TOTAL	2015	1	1	0	0	0	2
	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2

*The Company-owned Outlets are owned and operated by our affiliates, Hapa Yoga LLC and Hapa Yoga South Corp.

TABLE 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2018

STATE	UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
CA	1	2	0

STATE	UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
TOTAL	1	2	0

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this Disclosure Document is attached as **Exhibit H**.

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

Confidentiality Clauses

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

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee organizations.

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

ITEM 21 FINANCIAL STATEMENTS

We have not been in business for three years or more and cannot include all the financial statements required by the Rule for our last three fiscal years. Attached to this disclosure document as **Exhibit C** are our audited financial statements for the fiscal years ending December 31, 2018 and December 31, 2017. Our fiscal year ends on December 31.

ITEM 22 CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit A Franchise Agreement and Exhibits
Exhibit 1 Authorized Location Addendum
Exhibit 2 Electronic Funds Transfer Agreement
Exhibit 3 Electronic Debit Authorization
Exhibit 4 Guarantee
Exhibit 5 Addendum to Lease
Exhibit 6 Authorized Teacher Training Addendum
Exhibit D Statement of Prospective Franchisee
Exhibit F Form of General Release
Exhibit G State-Specific Addenda
Exhibit J Area Development Agreement

ITEM 23 RECEIPTS

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

Exhibit A
To Franchise Disclosure Document

FRANCHISE AGREEMENT AND RELATED EXHIBITS

HAPA YOGA

FRANCHISE AGREEMENT AND RELATED EXHIBITS

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EXHIBITS

HAPA YOGA
FRANCHISE AGREEMENT

This Hapa Yoga Franchise Agreement (this "Agreement") is entered into as of the ____ day of _______________________, 20___ between Hapa Yoga Holdings, Inc., a California corporation, doing business as "Hapa Yoga" ("Franchisor") and ____, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), upon the following terms, conditions, covenants and agreements:

RECITALS

A. Hapa Yoga LLC, a California limited liability company, ("Licensor") owns and has developed and administers a system, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of boutique fitness studios that offer a variety of yoga and fitness classes, teacher training, and member workshops, and provide child care ("Hapa Yoga Studios") identified by the Hapa Yoga® trade name and other trademarks and service marks licensed hereunder (the "Marks").

B. The System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Hapa Yoga Studios, including, without limitation, confidential manuals (collectively, the "Manual"), training methods, fitness equipment, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, distinctive interior design and display procedures, and color scheme and decor.

C. Pursuant to a written agreement dated February 6, 2017, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to establish and operate a Hapa Yoga Studio.

D. Franchisee desires to obtain a license to use the System in the development and operation of a Hapa Yoga Studio at the location specified in this Agreement (the "Studio").

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

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

1. GRANT OF FRANCHISE; LOCATION

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

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

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

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

1.2 **Site Acceptance Process**. Before Franchisor considers accepting a location for the Studio, Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Studios, available parking, traffic flow and entrance to and exit from the site (the "Location Report"). Franchisor shall deliver to Franchisee written acceptance or rejection of a proposed location within 30 days after Franchisor receives the Location Report. Franchisor's acceptance of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold acceptance of a site that meets its site criteria. Franchisee acknowledges that Franchisor's acceptance of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Studio. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within nine (9) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional three (3) months in certain instances, as explained in Section 2.2D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Studio that meets Franchisor's acceptance, within the time period allotted above.

1.3 **Authorized Location & Protected Radius**. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site acceptable to Franchisor within the following Designated Market Area:
____.
Once the Authorized Location for the Studio has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, neither it nor its affiliates will operate or establish, or authorize another Hapa Yoga franchisee to operate or establish, a Studio using the Hapa Yoga System or Marks within a certain radius ("Protected Radius"), ranging from three (3) to five (5) miles, around the Authorized Location (as measured from the outside walls of the Studio) in suburban environments. In dense urban environments, such as, downtown metropolitan areas, Franchisee will not receive any protected radius/territory and Franchisor may authorize locations within a few blocks of each other. The Protected Radius, if any, will be defined in Exhibit 1, hereto.

1.4 **Rights Reserved to Franchisor**.

A. Except for the right to operate a single Studio from the Authorized Location, Franchisee is not granted any rights to use the System and Marks in connection with any other channel of commerce or method of distribution, including, without limitation, distribution of products or services through any temporary or mobile facilities, or through video, television, or internet-based training or classes (collectively, the “Alternative Channels of Distribution”), all such rights being retained by Franchisor.

B. Notwithstanding anything to the contrary in this Agreement or otherwise, Franchisor and/or any of Franchisor’s affiliates can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (i) other units are (or are not) converted to the Hapa Yoga brand or other format (including using the System and/or Marks) and/or (ii) Franchisor and/or any of Franchisor’s affiliates are acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the System or otherwise. All Studios owned by Franchisee will fully participate in any such conversion, at Franchisee’s expense; provided, however, Franchisee shall have a period of twelve (12) months to complete the conversion, and Franchisor will contribute up to Ten Thousand Dollars ($10,000) toward the costs and expense of replacing exterior and interior signage.

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Studio on the terms and conditions specified herein. Franchisee agrees to follow the System requirements in the operation of its Studio, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of Franchisor’s business and the System now in effect and changed periodically. If this is Franchisee’s first Hapa Yoga Studio, then Franchisee and its designated manager (the “Studio Manager”) must attend and complete Franchisor’s initial training program to Franchisor’s satisfaction, as set forth in Section 6.3 of this Agreement.

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

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

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

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

D. Franchisee agrees that it shall open the Studio for regular, continuous business no later than nine (9) months after this Agreement is signed by Franchisor. If Franchisee is converting an existing fitness facility to a Hapa Yoga Studio (a “Conversion Franchisee”), Franchisee agrees to open the Studio for regular, continuous business no later than three (3) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Studio has not opened after nine (9) months, but substantial progress has been made, Franchisor may, at its sole discretion, extend the period of time to open for an additional three (3) months, or one (1) additional month for a Conversion Franchisee.

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

3. TERM AND RENEWAL

3.1 **Term**. The term of this Agreement shall be for a period of ten (10) years beginning on the date this Agreement is accepted by Franchisor; provided, however, the term of this Agreement shall be shortened (but not extended) to conform to the term of the lease (including any options) for the Approved Location (if the lease plus any options is shorter than ten (10) years.)

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for one (1) additional ten (10) year term, or for a lesser term equal to the new or extended term of the lease for the Authorized Location (or suitable alternative location approved by Franchisor), subject to satisfaction of each of the following conditions:

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

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

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

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

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

F. Franchisee shall pay to Franchisor a renewal fee of Five Thousand Dollars ($5,000); and

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

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

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

4. TRADEMARK STANDARDS

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

4.2 **Use**.

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

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

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations

"TM" or "SM" (trademark and service mark), where applicable.

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

4.4 **Modification, Discontinuance or Substitution**. Franchisor reserves the right, if necessary in Franchisor's sole judgment, to change the principal Mark(s) of the System on a national or regional basis, and upon reasonable notice, Franchisee shall at its expense adopt a new principal Mark(s) designated by Franchisor to identify the Studio. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark.

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

5. FEES

5.1 **Initial Franchise Fee.** Upon the execution of this Agreement, Franchisee agrees to pay Franchisor a lump sum "Initial Franchise Fee," by wire transfer, to establish a single Hapa Yoga Studio. The amount of the Initial Franchise Fee will be determined as follows:

Order of Hapa Yoga Studios Sold	Initial Franchise Fee
Hapa Yoga Studios 1 - 10	$30,000
Hapa Yoga Studios 11 - 20	$35,000
Hapa Yoga Studios 21 +	$40,000

Franchisor currently offers several discounts on the Initial Franchise Fee, as set forth below. The discounts listed below cannot be combined. If Franchisee meets the criteria for more than one of the discounts, Franchisee will receive the discount with the greater amount for which Franchisee qualifies.

Franchisor currently offers a $5,000 discount off the Initial Franchise Fee if Franchisee is: (1) converting an existing fitness facility to a Hapa Yoga Studio (a "Conversion Franchisee"); (2) an employee of Franchisor or its affiliate; (3) an employee of an existing Hapa Yoga Franchisee; (4) an existing Franchisee, who is in Good Standing, as that term is defined in Section 8.8, and has continuously met the System Standards, as set forth in Section 8.9; or (5) a veteran of the U.S. military, who meets the qualifications set forth immediately below.

To provide support to veterans of the U.S. military forces, Franchisor offers to all qualifying veterans the opportunity to purchase an initial franchise at a discount of $5,000 off the Initial Franchise Fee. This program is available for all veterans who have received an honorable discharge from any branch of the U.S. Military or Coast Guard, and is available for new franchisees only. The program is available only to qualified veterans operating their franchise as individual proprietors, or who hold a majority ownership interest in a partnership, corporation, or limited liability company which owns the franchise. The price reduction applies only to the first franchise acquired by a veteran. If Franchisee is a partnership, corporation or limited liability company, the individual owner's status as a participating veteran must be submitted to Franchisor before signing this Agreement, and the veteran owner must maintain a majority interest in the partnership, corporation or limited liability company for a minimum of three consecutive years after executing this Agreement, or Franchisee will be required to pay Franchisor the initial savings (i.e., $5,000).

The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

If Franchisee enters into an area development agreement with Franchisor ("Area Development Agreement") for the development of 3 or more Hapa Yoga Studios, the Initial Franchise Fee under this Agreement will be Thirty Thousand Dollars ($30,000) for the first Franchise, and Twenty Thousand Dollars ($20,000) for the second Franchise and each subsequent Franchise thereafter, developed in accordance with the terms of the Area Development Agreement.

5.2 **Royalty Fee**. Beginning one month from the day the Studio first opens for business and continuing during the Term of this Agreement, Franchisee agrees to pay Franchisor weekly, without setoff, credit or deduction of any nature, a royalty fee (the "Royalty Fee"). For the first three years (through the end of the 36th month) of operations, the Royalty Fee will be equal to four percent (4%) of Franchisee's Gross Sales (as that term is defined in Section 5.3, below) for the prior month. At the start of the fourth year (37th month) of operations until the end of the Term, the Royalty Fee will be equal to six percent (6%) of Franchisee's Gross Sales for the prior month. Franchisee shall pay the Royalty Fee in four (4) equal, weekly, installment payments; such payments shall be calculated by dividing the Royalty Fee based on the prior month's Gross Sales by four. The Royalty Fee shall be paid by noon on Friday of each week, using the method of payment as specified in Section 5.7, below.

5.3 **Gross Sales**. "Gross Sales" means the total revenues Franchisee receives, directly or indirectly, from all business conducted at or in connection with the Studio, including, but not limited to, the sale of classes (excluding Teacher Training classes), products and services, less sales taxes or similar taxes or refunds. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Teacher Training Fees received pursuant to the Authorized Teacher Training Addendum (Exhibit 6) are not included in Gross Sales.

5.4 **Marketing Fund Contribution.** Franchisee agrees to pay Franchisor, weekly, during the term of this Agreement, one and one-half percent (1.5%) of Franchisee's Gross Sales for the prior month, without set-off, credit or deduction of any nature, for national advertising and marketing services (the "Marketing Fund Contribution"). Upon thirty (30) days' written notice to Franchisee, the Marketing Fund Contribution may be increased or decreased at Franchisor's sole discretion, although no such increase will be greater than three percent (3%) of Franchisee's Gross Sales. The Marketing Fund Contribution is payable at the same time and in the same manner as the Royalty Fee is paid. The Marketing Fund Contribution shall be expended in accordance with Section 9.1 herein.

5.5 **Local Marketing/Advertising Expenses.** Franchisee agrees to spend each month no less than two percent (2%) of its Gross Sales for the month on local advertising and promotion of the Studio. (See Section 9.2 for more details on Local Marketing/Advertising.)

5.6 **Opening Inventory – Retail Starter Kit.** Franchisee agrees to purchase an opening inventory of proprietary products and other yoga-related products (the "Retail Starter Kit") from Franchisor before the Studio opens for business. The Retail Starter Kit includes Hapa Yoga® branded merchandise and yoga wear and other yoga-related products. The cost of the Retail Starter Kit is currently $2,000 and includes shipping. Franchisee will pay this amount by electronic fund transfer ("EFT") to Franchisor at the signing of this Agreement.

5.7 **Electronic Transfer.**

A. Unless Franchisor specifies otherwise, Franchisee agrees to pay the Royalty Fee and Marketing Fund Contribution, and any other fees owed to Franchisor, by pre-authorized electronic debit to Franchisor's bank or other financial institution account.

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

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

5.8 **Interest and Late Charges**. Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month, or the highest rate of interest allowed by law. An administrative fee of $50 will be charged for each late payment, subject to applicable law. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

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

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

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

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations**. Franchisee is responsible for locating, obtaining and evaluating the suitability and prospects of the Studio location, and for the review and negotiation of its lease. The required size of the site/property will vary, depending upon the Studio design (Option 1 or Option 2, as described below in Section 6.2, below) selected by Franchisee. A Studio designed under Option 1, must be at least 2,000 square feet and under Option 2 must be at least 2,700 to 3,000 square feet. At Franchisee's request, Franchisor may, in its discretion, assist Franchisee in site selection and negotiation of the lease for the proposed site. The site selection assistance provided by Franchisor may include furnishing Franchisee with Franchisor's confidential site evaluation criteria, consulting with and counseling Franchisee, and conducting field inspections/evaluations of proposed sites. Additionally, Franchisor may assist Franchisee in negotiating the lease, sublease or other document required for obtaining the premises of the Studio, and may even negotiate the terms of the lease on behalf of Franchisee. Franchisor reserves the right to charge a reasonable fee for performing any on-site evaluation to cover incurred expenses, including, but not limited to, travel, lodging, meals and wages; and for any requested lease negotiation assistance, including any applicable attorney's fees. Franchisor agrees not to unreasonably withhold its acceptance of a site that meets its site criteria.

6.2 **Unit Development**.

A. Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of yoga and fitness equipment, chairs and other equipment, furniture, fixtures, surveillance cameras with audio, initial inventories, and managing construction or remodeling of the Studio.

B. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings and fixtures, surveillance cameras with audio, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Studio.

C. Franchisee must select one of the following two Studio design options:

(i) "Option 1", which includes one large practice yoga and fitness room (minimum 1,000 square feet), a separate space for child care (minimum 350 square feet), a lobby and retail space, and restrooms. The minimum space requirement for Option 1 is 2,000 square feet.

(ii) "Option 2", which includes two large practice yoga and fitness rooms (each a minimum 900 square feet), a space for child care (minimum 400 square feet), a lobby and retail space, locker rooms (showers optional), and restrooms. The minimum space requirement for Option 2 ranges from 2,700 square feet to 3,000 square feet.

D. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor.

6.3 **Training.**

A. Initial Training. Prior to the opening of the Studio and at no charge beyond the Initial Franchise Fee, Franchisor will provide initial training (the "Initial Training") at its training facility, Hapa Yoga University ("HYU"), at Franchisor's then-current headquarters, to Franchisee and Franchisee's Studio Manager; provided, however, Franchisee and its Studio Manager must attend such training at HYU simultaneously. Franchisee may have one additional employee (for a maximum of three attendees) attend HYU, simultaneously with Franchisee at no charge. Subject to availability, and with Franchisor's approval, Franchisee may have additional employees attend HYU, simultaneously with Franchisee, at a cost of $200, per additional attendee, for HYU training materials. Franchisee, or if Franchisee is a business entity, then the Designated Operator(s), as identified in Section 17.5, herein, and the Studio Manager must successfully complete the Initial Training at HYU, any additional required training, and comply on an ongoing basis with all ongoing/refresher training requirements.

The length of the Initial Training is approximately 80 hours in duration, consisting of a combination of classroom training at HYU and on the job training conducted at a Hapa Yoga Studio owned by Franchisor or such other training facilities designated by Franchisor. The Initial Training will cover basic aspects of establishing and operating the Studio, including front desk, customer relations, retail, child-care procedures, on-site shadowing, the POS system, forms, cost control, purchasing, inventory control and disposition, customer service, marketing, selling skills, training and class scheduling procedures, job functions and maintenance of quality standards.

All of the required training is mandatory. Franchisee and/or the Studio Manager must satisfactorily complete HYU, which includes attendance at all scheduled training days and times, as communicated in advance of the training, within the timeframe established by Franchisor. Franchisee is responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with the Initial Training for Franchisee, the Studio Manager and any other employee of Franchisee who attends the training. Franchisee agrees that it will require all Studio Managers employed after the Studio is opened to complete the Initial Training at HYU, or at another location designated by Franchisor. Franchisee shall pay Franchisor the then-current fee for additional training for each new Studio Manager employed after the Studio opens. Each Studio Manager shall attend and complete the next available classes at HYU following the commencement date of his/her employment.

B. Mandatory RYT Training. Franchisee, the Studio Manager, and all yoga teachers at the Studio must be certified with a minimum of 200 hours through Yoga Alliance (RYT®), which is a credential earned by yoga teachers whose training and teaching experience meet Yoga Alliance Registry Standards. An RYT must complete training with a Registered Yoga School (RYS®), be confirmed by RYS and keep current with continuing education and their annual fees. Franchisor is an RYS and offers teacher training. Franchisee, the Studio Manager, and the yoga teachers at the Studio may elect, but are not required, to receive RYT training from Franchisor. If Franchisee receives the training prior to opening the Studio, Franchisor currently charges $2,000 per trainee for a 200-hour "Hatha and Vinyasa Yoga" teacher training course, which is discounted from Franchisor's consumer rate. Franchisee may also receive this training at a Hapa Yoga Studio that is authorized by Franchisor to provide such training, or Franchisee may receive the training from another Registered Yoga School. Franchisee may request private teacher training at the Studio, prior to opening, from Franchisor if Franchisee has a minimum of ten (10) trainees. If Franchisor provides such training at the Studio, Franchisee must pay Franchisor's reasonable travel and living expenses while conducting the training, in addition to the fee Franchisor charges for the course. If Franchisee requests this training from Franchisor after the opening of the Studio, Franchisee agrees to pay Franchisor's then-current consumer rate for such training.

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

D. Additional Training, On-Site and Remote Assistance. If, after completion of the Initial Training Program, Franchisee requests additional training for itself or any of its employees, or if Franchisee hires a new Studio Manager, or names a new Designated Operator, Franchisor will provide the requested or required additional training at HYU, or at another location designated by Franchisor. Additionally, Franchisor may require Franchisee, the Designated Operator and/or the Studio Manager to attend remedial training if Franchisor, in its sole discretion, deems such additional training is necessary. Franchisee may request also on-site or remote (e.g., phone calls, emails, texting, etc.) assistance from Franchisor with the operations of the Studio after Franchisee has completed the Initial Training Program. Franchisee agrees to pay Franchisor the then-current fee for such additional training or requested assistance. Franchisee is responsible for all travel, food, lodging, wages and wage-related expenses and all other expenses incurred by Franchisee, its employees, the Studio Manager and/or the Designated Operator in receiving the additional training. If Franchisor provides on-site assistance to Franchisee at the Studio, Franchisee must also pay for Franchisor's reasonable travel and living expenses while providing such assistance.

E. Teacher Training at the Studio. If Franchisee wishes to offer and provide RYT, yoga, and other fitness teacher training classes (collectively, "Teacher Training") at the Studio, Franchisee must meet certain criteria established by Franchisor, obtain Franchisor's prior approval, and execute the Authorized Teacher Training Addendum, attached hereto as Exhibit 6. Franchisee must exclusively use Hapa Yoga training materials provided by Franchisor to conduct the Teacher Training at the Studio. Franchisee agrees to offer only those classes approved by Franchisor at the Studio. Franchisor reserves the right to add, modify or discontinue any class; notification of such changes will be provided to Franchisee in writing by Franchisor.

6.4 **Operations Manual**. Franchisor will lend Franchisee one (1) copy of the Manual during the term of this Agreement, which contains mandatory and suggested specifications, standards and operating procedures prescribed by Franchisor. For purposes of this Agreement, the Manual means the entire collection of manuals, guidelines, standards and specifications provided to Franchisee in connection with the development, construction and operation of the Studio. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. Franchisee acknowledges that Franchisor may from time to time revise the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the termination, expiration, or non-renewal of this Agreement. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained at Franchisor's principal office shall be controlling. A replacement fee ("Manual Replacement Fee") of $1,000 will be charged to Franchisee for a lost Manual, or for unauthorized access to the Manual by Franchisee's employees. The Manual may be provided electronically, in which case, Franchisor will grant Franchisee online access to an electronic version of the Manual, during the term of this Agreement. If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the System.

6.5 **Continuing Services**. Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Studio as Franchisor deems advisable. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals. Franchisor may provide regular consultation and advice to Franchisee in response to inquiries from Franchisee regarding administrative and operating issues that Franchisee brings to Franchisor's attention. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Studio for which Franchisor has not established Approved Suppliers (as defined below in Section 6.6.) The rendering of any consultation, advise, assistance, consent, approval or services by Franchisor, as set forth in this Agreement, does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of Franchisee's business. Any Franchisor services set forth in this Agreement may be provided by Franchisor and/or representative(s) or designee(s) of Franchisor.

6.6 **Approved Suppliers, Products and Services Lists**. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, designated and approved distributors and suppliers ("Approved Suppliers"), approved services and products, including, but not limited to, yoga and fitness equipment and gear, yoga-related retail products to be sold at the Studio, and other materials and supplies used in the operation of the Studio. Designation or approval of a supplier may be conditioned on factors established by Franchisor as it considers appropriate, including without limitation, performance relating to frequency of delivery, standards of service, ability to maintain quality/adequate supply of goods, ability to meet or maintain acceptable pricing, and payment or other consideration to Franchisor or parties designated by Franchisor. Franchisor can approve, or revoke or deny approval, of particular items or suppliers in its sole discretion. Franchisor may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in its business judgment. These suppliers may include, and may be limited to, Franchisor or an affiliate of Franchisor. Franchisor and its affiliates reserve the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier and have the right to realize a profit on the sales of products and/or services to Franchisee. Franchisor is currently the sole Approved Supplier of certain Hapa Yoga® branded merchandise and yoga wear, such as T-shirts, tank tops, barre grip socks and water bottles, and certain other yoga-related retail products that Franchisee agrees to purchase and resale at the Studio.

6.7 **Pricing**. Franchisor has developed an image that is based in part on consistent and reasonable prices for yoga and fitness classes, and related products offered by the System. To promote a consistent consumer experience, and to maximize the value of limited advertising expenditures, Franchisor may require fixed minimum or maximum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in State or Federal anti-trust laws. Consistent with State or Federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure.

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

6.9 **Grand Opening Advertising**. Franchisee agrees to spend a minimum of Five Thousand Dollars ($5,000) on advertising, marketing and promotion to support the Grand Opening of the Studio (the "Grand Opening Program"). Franchisor will advise Franchisee in connection with the Grand Opening Program, which shall be conducted in accordance with Franchisor's standard plans, as adapted for the Studio. All materials used in the Grand Opening Program will be subject to Franchisor's prior written approval. Franchisee agrees that Franchisor, in its reasonable discretion, may include a brief statement regarding the availability of Hapa Yoga Studio franchises. The Grand Opening Program will include, but not be limited to, direct marketing materials and production-ready, customized promotional slicks/items. Franchisor, at its sole discretion, may waive or reduce the Grand Opening expenditure requirement in limited instances where the venue or other circumstances warrant it.

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

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

A. The Studio shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor's standards and specifications. Equipment, furnishings, fixtures, surveillance cameras with audio, decor and signs for the Studio shall be purchased from suppliers approved by Franchisor. Franchisee may remodel or alter the Studio, or change its equipment, furniture or fixtures, only with Franchisor's consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Studio shall contain or display only signage that has been specifically approved or designed by Franchisor.

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

C. Franchisee recognizes that the System will evolve. The fitness industry must respond to new fads, new forms of exercise, new equipment and new training techniques. The Hapa Yoga System must change to meet customer demands. Franchisee further understands that fitness equipment and other equipment wears out, breaks down, or becomes obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace items of the trade dress or Studio equipment as may be necessary for the Studio to conform to the standards for new Studios. Further, Franchisee will be required to thoroughly modernize or remodel the Studio when requested by Franchisor, but no more than once every 5 years. This may include replacing fitness equipment and gear, and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating, the Studio, and Franchisee agrees to incur, without limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements. Within 60 days after receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes and Franchisee must submit those plans to Franchisor for its approval. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor, or its Affiliate, will hold themselves, and the Studios they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee. If any such expenditures required by Franchisor pursuant to this provision cannot be amortized over the remaining Term, and if the remaining Term or any Option Term is less than thirty-six (36) months, then Franchisee may, at its election, terminate this Franchise upon thirty (30) days' notice to Franchisor. Franchisee must comply with all post-termination provisions set forth in this Agreement, and may not own, operate, or permit another to own or operate a similar business or any fitness business from the Approved Location.

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

E. The Studio must have a surveillance camera with audio purchased from a designated Approved Supplier installed in the lobby and child-care room. The camera(s) must be web accessible. The camera(s) will be used by Franchisee to monitor quality assurance and safety. Franchisor has an absolute right to also review and monitor the camera(s) for the same purposes as Franchisee, and to ensure compliance with the Hapa Yoga System. Franchisee is responsible for ensuring customer consent and for any failure to obtain such consent. Franchisee agrees to indemnify Franchisor for any breaches of privacy from Franchisee's use of any surveillance camera.

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

Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Studio. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

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

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

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

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

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

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

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

7.4 **Franchisee's Responsibility.** Although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Studio, Franchisor is not acting as a general contractor or providing construction advice. Franchisee must hire its own licensed general contractor and architect to comply with local ordinance's and codes, and Franchisee alone is responsible for the build out of the Approved Location. It is Franchisee's sole responsibility to construct and equip the Studio in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency.

8. STUDIO IMAGE AND OPERATING STANDARDS

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

8.2 **Franchisor's Right to Inspection**. To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Studio including, without limitation, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, fitness equipment, facilities and operation of the Studio in person or by web accessible surveillance cameras with audio, which are required to be installed in each classroom and child-care room in the Studio; (2) interview Franchisee and Franchisee's employees, including its independent contractors; (3) interview Franchisee's members and customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Studio; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and Franchisee's operations.

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

8.4 **Child-Care Requirements**. All child-care providers at the Studio must undergo a background check and meet certain minimum employment criteria established by Franchisor, as specifically set forth in the Manual. The employment criteria for child-care providers at the Studio include, but are not limited to, prior child-care experience, which involved diapering and caring for more than two infants at a time; current enrollment or a degree in child development education, teaching, nursing, medical, or a similar child-related degree; and CPR Certification for infants and children. Surveillance cameras must be installed in the child-care area and be turned on and in operation at all times during business hours.

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

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

B. Franchisee agrees that all exercise equipment must be purchased exclusively from Approved Suppliers, and must be maintained according to manufacturer or Franchisor specifications, as applicable.

C. Franchisee agrees to sell retail Hapa Yoga proprietary products and other yoga-related products approved by Franchisor at the retail space in the lobby of the Studio. Franchisee will purchase such proprietary products and other yoga-related products from Franchisor to resell at the Studio, as required or recommend by Franchisor.

D. Franchisee will offer and sell rights of access to the Studio, referred to as a "Membership" or "Memberships." All Memberships must be evidenced by a standard written agreement in the form provided by Franchisor in the Manual (the "Hapa Yoga Membership Agreement"), and may not be for a term that extends beyond the expiration of this Agreement. Franchisee may not modify the Hapa Yoga Membership Agreement without Franchisor's prior written consent. Notwithstanding the foregoing, Franchisee is responsible for ensuring that the Hapa Yoga Membership Agreements comply with all laws applicable to the Studio and Franchisee may modify the Hapa Yoga Membership Agreements to the extent necessary to comply with applicable laws, provided that Franchisee provides Franchisor with immediate notice of such modifications. Franchisee acknowledges that, subject to the preceding sentence, any Hapa Yoga Membership Agreement that has been modified without Franchisor's consent shall be void.

E. Franchisee and those it employs must teach Hapa Yoga classes exactly as specified in the Manual and in other training materials provided by Franchisor. Franchisee agrees not to add any exercises, stretches, choreography, or positions that are not approved by Franchisor, and Franchisee agrees not to leave out any exercises, stretches, choreography, or positions that are required by Franchisor.

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

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

H. Franchisee acknowledges and agrees that Franchisor may sell products and services to members located anywhere, even if such products and services are similar to what Franchisor sells to Franchisee and what Franchisee offers at the Studio. Franchisor may use the internet or alternative channels of commerce to sell Hapa Yoga® brand products and services. Franchisee may only sell the products and services from the Studio's approved location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by Franchisor, in order to register members for classes. Nothing in the foregoing shall prohibit Franchisee from obtaining members over the Internet provided Franchisee's Internet presence and content comply with the requirements of this Agreement.

I. Franchisee may not solicit members inside the protected territories granted to other Hapa Yoga franchisees, or territories held by Franchisor, its affiliates, or Licensor. Franchisee is not entitled to any compensation, allowance, payment or other consideration on account of any members who live or work within its protected territory and who become members of Hapa Yoga Studios owned by others.

J. Unless Franchisor directs otherwise, Franchisee agrees not to sell vitamins, supplements or other nutritional products or food items, other than bottled water, at the Studio.

8.6 **<u>Compliance with Laws</u>.**

A. Franchisee agrees to comply with all federal, state, county, and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Studio, obtain all municipal and state permits, certificates or licenses necessary to operate the Studio and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsible to investigate and comply with any applicable laws in the state where the Studio is located that are specific to the operation of a health/fitness studio and a child-care facility. For example, some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. All states have laws and regulations pertaining to the health and safety of children in child care. Some states may require Franchisee to obtain a license and meet a certain infant-to-care provider ratio, among other requirements.

B. Franchisee shall operate and maintain the Studio in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to provide immediately Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Studio.

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

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

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

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

8.9 **System Standards**. Franchisee and Franchisor have a shared interest in the Studio performing at or above the System Standards. Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet such System Standards. Franchisor may choose, in its sole discretion, to evaluate the Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports.) Franchisee must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Franchisee's employees, including its independent contractors, must meet minimum standards for courteousness and customer service.

9. ADVERTISING AND MARKETING

9.1 **Marketing Fund**.

A. Franchisor has established a national advertising**,** publicity and marketing fund (the "Marketing Fund") to promote Hapa Yoga Studios and the Brand. Franchisee will be required to make a contribution ("Marketing Fund Contribution") of one and one-half percent (1.5%) of its annual Gross Sales (as defined in Section 5.3) to the Marketing Fund. Such Marketing Fund Contribution will be payable to Franchisor, weekly, from the day the Studio is first opened for business or Franchisee receives payments from members, whichever occurs first.

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

C. Franchisor and/or any Franchisor-Related Persons/Entities can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc.

(including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund. While Franchisor is not required to do so, if Franchisor has formed a franchise advisory council (FAC) and submits any matters for approval to the FAC and approval is granted by a majority of the members, the approval will be binding on Franchisee.

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

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

9.2 **Local Marketing/Advertising Activities.**

A. Franchisee is responsible for local marketing and advertising activities to attract members to the Studio. Franchisee agrees to spend no less than 2% of its Gross Sales for the month on local advertising and promotion of the Franchised Business

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

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

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

9.4 **Franchisee Marketing/Advertising Group(s) ("Co-Ops").** Franchisor may decide to form one or more associations and/or sub-associations of Hapa Yoga Studios to conduct various marketing and advertising-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local and/or regional) are formed covering Franchisee's area, then Franchisee must join and actively participate. Each Studio will be entitled to one (1) vote, but in order to vote the Studio must be in Good Standing. Franchisee may be required to contribute such amounts as are determined from time to time by such Co-Ops.

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

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

10.1 **Records and Reports.** Franchisee shall maintain and preserve for four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Studio as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee agrees that its financial records shall be accurate and up-to-date at all times. At Franchisor's request, Franchisee agrees to promptly furnish any and all financial information, including tax records and returns relating to the Studio and of each of the principal owners.

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

10.3 **Computer System and Software**.

A. Franchisee must acquire a computer for use in the operation of the Studio. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class schedules and other business information promptly in the computer system and use the software that Franchisor specifies or otherwise approves. Currently, the approved and required point-of-sale ("POS") software for use in the Studio is "Mindbody", an online/web-based business management program. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time.

B. Data, including names, addresses, contact information, and credit card or payment information of members of the Studio will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Studio that is stored on the required software and online. Franchisor may use such information to communicate directly to the members of the Studio, and to provide updates, information, newsletters, and special offers to the members. Franchisee must upgrade and maintain the computer system and software in the Studio, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the member information and Franchisor shall be the sole owner of such information. Franchisee is solely responsible for obtaining its own employee-scheduling software.

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

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

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

F. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Studio.

10.4 **Insurance**.

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

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

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

Required Coverage	**Minimum Limits of Coverage**
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Damage to Rented Premises (each occurrence)	$100,000
Medical Expense (any one person)	$5,000
Abuse and Molestation Liability (each occurrence)	$100,000
Abuse and Molestation Liability Aggregate	$300,000

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

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

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

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

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

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

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

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

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

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

11.2 **Indemnification**. Franchisee shall indemnify, defend and hold harmless Licensor, Franchisor, its current or former affiliates, and their respective officers, directors and employees, accountants, and lawyers against any and all suits, claims, liabilities, costs and expenses, including, without limitation, attorneys' fees in any way relating to, arising out of or in conjunction with this Agreement, the activities conducted under this Agreement or in connection with the Studio and business licensed hereunder, or Franchisee's or Franchisee's employees' actions or inactions, excluding only any liabilities related to the proven gross negligence of the indemnitees. Franchisor reserves the right to appoint its own attorney. Franchisee waives and releases all claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Studio.

12. CONFIDENTIAL INFORMATION

12.1 **Franchisor's Confidential Information**.

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

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

Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees.

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

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

13. COVENANTS NOT TO COMPETE

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

13.2 **Franchisor's Right to Offer or Sale Franchise to Employee of Franchisee.** Franchisee acknowledges that Franchisor has the right to offer to sell or to sell a Hapa Yoga Franchise to any employee of Franchisee.

13.3 **Enforcement of Covenants.**

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

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

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

14. TRANSFER OF INTEREST

14.1 **<u>Franchisor's Approval Required</u>.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Studio, any of its rights hereunder, or in the lease for the premises at which the Studio is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.5 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

14.2 **<u>Right of First Refusal</u>**.

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

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

14.3 **Conditions for Approval of Transfer.** Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a Transfer Fee in an amount equal to 25% of the then-current Initial Franchise Fee, (2) Franchisee signs a general release of all claims in Franchisor's standard form, (3) the Studio and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it's necessary, and (4) the transferee attends and successfully completes the Hapa Yoga Initial Training at its own expense.

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

14.5 **Death or Disability of Franchisee**. In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible supervisorial or managerial personnel or agents of Franchisee have been satisfactorily trained at Franchisor's Initial Training) nor obligate Franchisee to pay any transfer fee. If Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Studio, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Studio on behalf of Franchisee. Franchisee shall be obligated to, and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the

Franchisor appointed manager. Operation of the Studio during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, loses or obligations incurred by the Studio, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Studio during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

14.6 **Relocation**. Except in cases when Franchisee is in default of its lease, if the Studio location is lost through condemnation, loss of lease, fire or other casualty, Franchisee may identify a new Authorized Location within the same Designated Market Area in which the Studio was located, subject to the consent of Franchisor. Franchisee must apply for Franchisor's consent to relocate at the new Studio location and execute a general release in favor of Franchisor, both in the form prescribed by Franchisor. Franchisor will consent to or reject Franchisee's relocation application in accordance with its then-current relocation and closure policy. If the Studio is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Studio is once again in operation, as determined by Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge a reasonable fee for its services in connection with any such relocation. Franchisor currently charges a "Relocation Fee" of $500 to cover its administrative costs, upon the relocation of the Studio.

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

15. DEFAULT AND TERMINATION OF AGREEMENT

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

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

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

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

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

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

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

(5) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect the reputation of the System or the goodwill associated with the Marks;

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

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

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

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

(10) Franchisee fails to obtain lawful possession of an acceptable location and to open for business as a Hapa Yoga Studio within twelve (12) months after this Agreement is accepted by Franchisor;

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

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

(13) Franchisee, after curing a default pursuant to Section 15.2B herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twenty-four (24) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

B. **Termination with Notice**. In addition to the provisions of Section 15.2A, if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (and 10 days prior notice in the event of a default described in Subsections (6), (7) and (8) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

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

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

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

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

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

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

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

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

(9) Franchisee allows classes to be taught or training to be conducted by teachers who have not successfully completed the minimum required teacher training and certification;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. RESOLUTION OF DISPUTES

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

A. **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 16.1 D:

(i) First, discussed in a face-to-face meeting held within thirty (30) days after either Franchisee or Franchisor gives written notice to the other proposing such a meeting.

(ii) Second, if not resolved, be submitted to non-binding mediation for a minimum of four (4) hours before (i) Franchise Arbitration and Mediation, Inc. ("FAM") or its successor (or an organization designated by FAM or its successor), or (ii) any other mediation organization approved by all parties, or (iii) by the American Arbitration Association or its successor (or an organization designated by its successor) if FAM cannot conduct such mediation and the parties cannot agree on a mediation organization. The parties will share the costs of the first four (4) hours of any mediation, and no mediation is required to extend beyond such four (4) hour period. Any mediation/arbitration (and any appeal of arbitration) will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding.

(iii) Third, submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the arbitration rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction.

B. **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

C. **Fees and Costs**. The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration against the party who does not prevail.

D. **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes relating primarily to (a) the validity of the Marks and/or any intellectual property licensed to Franchisee, and (b) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Franchisee and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

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

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

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

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

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

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

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

16.3 **Choice of Laws.** Franchisee and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Franchisee and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Franchisee and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall not apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section 16.3. Franchisee and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

16.4 **Class Action Waiver**. Franchisor and Franchisee agree that all proceeding and claims between the parties shall be filed and prosecuted separately and individually and not as a class action, or any representative capacity, and shall not be or remain consolidated with claims asserted by or against any others.

16.5 **Limitation of Actions**. Franchisor and the Franchisee agree that no action (whether for arbitration, damages, injunctive, equitable or other relief, including, without limitation, rescission) will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless brought before the expiration of the earlier of one (1) year after the date of discovery of the facts resulting in such alleged liability or obligation or two (2) years after the date of the first act or omission giving rise to such alleged liability or obligation, except that where State or Federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply.

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

17. MISCELLANEOUS PROVISIONS

17.1 **Severability**. Except as provided in Section 13.3, each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but, each shall be cumulative of every other right or remedy.

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

17.3 **Governing Law**. This Agreement and all related Agreements take effect upon their acceptance and execution by Franchisor in the State of California and any matter whatsoever which arises out of or is connected any way with the Agreement or the franchise shall be governed by and interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law; provided, however, that if any provision of this Agreement would not be enforceable under the laws of California, then such provisions shall be interpreted and construed under the laws of the state in which the premises of the Studio is located.

17.4 **Choice of Forum.**

A. Franchisee acknowledges and agrees that this Agreement is entered into in California, and that any action brought by either party against the other for the purpose of enforcing the terms and provisions of this Agreement (which is not to be arbitrated pursuant hereto or pursuant to law) shall be instituted solely in a state or federal court having subject matter jurisdiction thereof only in California in the judicial district in which Franchisor has its principal place of business and in no other court and that Franchisee irrevocably waives any objection Franchisee may have to the exclusive jurisdiction or the exclusive venue of such court.

B. If Franchisee institutes any arbitration or other legal proceedings in any venue or other court other than those specified, Franchisee shall assume all of Franchisor's costs and expenses in connection therewith, including, without limitation, reasonable attorney fees (and interest on such fees, costs and expenses) regardless of the outcome of such arbitration or legal proceedings.

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

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

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

Designated Operator(s): ______________________________

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

17.7 **Notices**.

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, postage paid, or by reliable overnight delivery service, addressed as follows:

If to Franchisor: Hapa Yoga Holdings, Inc.
4242 Camino del Rio North, Suite #10E
San Diego, CA 92108
Attention: Tina Knight Ardolino

If to Franchisee: _____________________________
____
____

B. The addressees herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal

Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand.

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

18. ACKNOWLEDGMENTS

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

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

19. ENTIRE AGREEMENT

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

[Signatures on Following Page]

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

FRANCHISOR
Hapa Yoga Holdings, Inc.
a California corporation

By: __________________________

Print Name: ___________________

Title: ________________________

Accepted: ____________________

FRANCHISEE

If Franchisee is an individual:

Signature: ________________________

Print Name: _______________________

Date: ____________________________

Signature: ________________________

Print Name: _______________________

Date: ____________________________

If Franchisee is a corporation or other entity:

____
[Name of Franchisee]

By: ______________________________

Print Name: _______________________

Title: ____________________________

Date: ____________________________

EXHIBIT 1 TO
HAPA YOGA FRANCHISE AGREEMENT

AUTHORIZED LOCATION ADDENDUM

This Addendum is made to the Hapa Yoga Franchise Agreement (the "Franchise Agreement") between Hapa Yoga Holdings, Inc. ("Franchisor"), and _________________________ ("Franchisee"), dated ___________________, 20__.

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

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

____.

3. **Protected Radius, if any.** The parties hereto agree that Franchisee will receive a non-exclusive protected radius, if any, of________________________ around the Authorized Location.

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

FRANCHISOR:

By: ________________________________

Print Name: ________________________

Title: ______________________________

FRANCHISEE:

By: ________________________________

Print Name: ________________________

Title: ______________________________

By: ________________________________

Print Name: ________________________

Title: ______________________________

EXHIBIT 2 TO THE
HAPA YOGA FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the “Agreement”) is made on this ___day of ____________________________, 20__ by and between Hapa Yoga Holdings, Inc. (“Franchisor”), and ______________________________ or their assignee, if a partnership, corporation or limited liability company is later formed (“Franchisee").

Whereas, Franchisor and Franchisee are parties to a Hapa Yoga Franchise Agreement executed on even date herewith (the “Franchise Agreement”) and desire to enter into an Addendum to the Franchise Agreement;

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

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

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

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

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee’s bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee’s bank for any reason and a Fifty Dollar ($50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor’s discretion. It shall be a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

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

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

FRANCHISOR:

By: ________________________________

Print Name: ________________________

Title: _______________________________

FRANCHISEE:

By: ________________________________

Print Name: ________________________

Title: _______________________________

By: ________________________________

Print Name: ________________________

Title: _______________________________

EXHIBIT 3 TO THE
HAPA YOGA FRANCHISE AGREEMENT

ELECTRONIC DEBIT AUTHORIZATION

FRANCHISOR: Hapa Yoga Holdings, Inc.

FRANCHISOR ID NUMBER: ____________________________

The undersigned hereby authorizes Hapa Yoga Holdings, Inc. ("Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the depository named below (the "Depository"), to debit the same to such account.

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

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

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

DATE: ____

ID NUMBER: ____

PRINT NAME(S):	SIGNATURE(S):
______________________________	___________________________
______________________________	___________________________

EXHIBIT 4 TO THE
HAPA YOGA FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

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

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

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

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

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

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

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

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

This Guarantee is to be performed in San Diego, California and shall be governed by and construed in accordance with the laws of the State of California. Guarantor(s) specifically agree that the state and federal courts situated in San Diego, California shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agree that any action relating to this Guarantee may be brought solely in either the Superior Court of the County of San Diego, or the United States District Court for the Southern District of California, located in San Diego County. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

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

WITNESS:	**GUARANTOR**
____________________________	By: ________________________________
	Print Name: _________________________
____________________________	SS #: _____________________
	DOB: _____________________
	Driver's License No. _____________________

WITNESS:	**GUARANTOR**
____________________________	By: ________________________________
	Print Name: _________________________
____________________________	SS #: _____________________
	DOB: _____________________
	Driver's License No. _____________________

EXHIBIT 5 TO THE
HAPA YOGA FRANCHISE AGREEMENT

ADDENDUM TO LEASE

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

Landlord and Tenant, intending that Hapa Yoga Holdings, Inc., a California corporation, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

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

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

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

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

(5) The Premises shall be used only for the operation of a Hapa Yoga style Studio;

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

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

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

Hapa Yoga Holdings, Inc.
4242 Camino del Rio North, Suite 10
San Diego, CA 92108
Attn: Tina Knight Ardolino

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

AGREED:

TENANT	LANDLORD
By: ___________________________________	By: ____________________________________
Print Name: ____________________________	Print Name: ____________________________
Its: ___________________________________	Its: ___________________________________
Date: _________________________________	Date: _________________________________

EXHIBIT 6 TO THE
HAPA YOGA FRANCHISE AGREEMENT

AUTHORIZED TEACHER TRAINING ADDENDUM

This Authorized Teacher Training Addendum (this "Addendum") is made and entered into on the ___ day of _________________ 20___ (the "Effective Date") and modifies that certain Hapa Yoga Franchise Agreement (the "Franchise Agreement") between Hapa Yoga Holdings, Inc. ("Franchisor") and ___________________________________ ("Franchisee"), dated __________________, 20__. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum have the respective meanings set forth in the Franchise Agreement.

RECITALS

A. Pursuant to the Franchise Agreement, Franchisor granted to Franchisee certain rights to establish and operate a Hapa Yoga Studio (the "Studio"), which offers a variety of yoga and fitness classes, and provides child care from an approved location (the "Authorized Location").

B. Franchisee is currently in Good Standing (as that term is defined in the Franchise Agreement), has attended and completed the training required by Franchisor to conduct RYT, yoga, and other fitness teacher training classes (collectively, "Teacher Training"), and has met such other reasonable criteria that have been established by Franchisor.

C. Franchisee now desires the right to offer Teacher Training at the Authorized Location in addition to providing yoga and fitness classes.

D. Pursuant to and in compliance with the terms of this Agreement, Franchisor is willing to grant Franchisee the right to offer and conduct Teacher Training at the Authorized Location.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. **Right Granted**. Franchisor hereby grants Franchisee the right to conduct Teacher Training at the Studio, including the following classes: (i) 200 Hour Yoga Alliance Certification (RYT) – Vinyasa and Hatha Yoga; (ii) Kids Yoga Level 1; (iii) Kids Yoga Level 2; (iv) @ the Barre – Barre Fitness; (v) Baby @ the Barre – Baby Wearing Barre Fitness; (vi) 85 Hour Prenatal Teacher Training, (vii) CardiYo Sculpt Teacher Training, and (viii) Yin Yoga Teacher Training. Franchisor reserves the right to add, modify or discontinue any class; notification of such changes will be provided to Franchisee in writing by Franchisor. Franchisee agrees to offer only those classes approved by Franchisor at the Studio.

2. **Term**. This Addendum is effective as of the Effective Date and will remain in effect until the Franchise Agreement is terminated, unless terminated earlier as provided herein.

3. **Teacher Training Materials**. Franchisee must exclusively use Hapa Yoga training materials provided by Franchisor to conduct the Teacher Training at the Studio.

4. **Teacher Training Fees**. The teacher training fees ("Teacher Training Fees") Franchisee charges for each class will vary based on the class taught and the Studio's location (region/city), and will be set forth in the Manual or elsewhere by Franchisor.

5. **Teacher Training Royalty**. Beginning one week from the day Franchisee begins offering Teacher Training classes at the Studio and continuing during the term of this Addendum, Franchisee agrees to pay Franchisor weekly, without setoff, credit or deduction of any nature, a royalty (the "Teacher Training Royalty") in an amount equal to twenty-five percent (25%) of the gross revenues Franchisee receives from Teacher Training Fees at the Studio. The Teacher Training Royalty covers the costs of the Hapa Yoga Teacher Training materials provided by Franchisor. The Royalty Fee shall be paid by noon on Friday of each week, using the method of payment as specified in Section 5.7 of the Franchise Agreement.

6. **Good Standing.** In addition to complying with the terms of this Agreement, Franchisee must comply with all material terms of its Franchise Agreements and be in Good Standing at all times in order to continue providing Teacher Training at the Studio.

7. **Default and Termination.** The default and termination provisions set forth in Article 15 of the Franchise Agreement shall apply to this Addendum. Franchisor, at its sole discretion, may elect to terminate only this Addendum for defaults hereunder, or may elect to cross-default, as set forth in Section 15.3 of the Franchise Agreement, and terminate both this Addendum and the Franchise Agreement.

8. **Notice**. Any notice required by this Agreement shall be given in accordance with the Notice provision in the Franchise Agreement.

9. **Transfers.** Franchisee may not transfer any rights under this Addendum separate and apart from a transfer of the Studio in accordance with Article 14 of the Franchise Agreement.

10. **Entire Agreement.** This Agreement is the entire agreement between the parties concerning the subject matter hereof and supersedes all prior or contemporaneous representations, discussions, proposals, negotiations, conditions, communications and agreements, whether oral or written, between the parties. No amendment, modification or waiver of any provision of this Agreement shall be effective unless in writing and signed by the parties.

IN WITNESS WHEREOF, the Franchisor and Franchisee have duly executed and delivered this Addendum as of the Effective Date.

FRANCHISOR	**FRANCHISEE**
Hapa Yoga Holdings, Inc. a California corporation	If Franchisee is an individual:
By: __________________________	Signature: ________________________
Print Name: ___________________	Print Name: _______________________
Title: ________________________	Date: ____________________________
Accepted: ____________________	*[Signatures Continued on Following Page]*

If Franchisee is an individual:

Signature: ________________________

Print Name: _______________________

Date: ____________________________

If Franchisee is a corporation or other entity:

____
[Name of Franchisee]

By: ______________________________

Print Name: _______________________

Title: ____________________________

Date: ____________________________

Exhibit B
To Franchise Disclosure Document

LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of Business Oversight
One Sansome Street
Suite 600
San Francisco, CA 94104
Tel: (415) 972-8559
Fax: (415) 972-8590
Toll Free: (866) 275-2677

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

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

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

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

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

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

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

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

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

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

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

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

MINNESOTA
Minnesota Dept. of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
Saint Paul, MN 55101-2198
Tel: (651) 539-1500

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

NEW YORK
(Agent for Service of Process)
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
Tel: (518) 473-2492

(Administrator)
NYS Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
Tel: (212) 416-8236 / Fax: (212) 416-6042

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

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

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

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

SOUTH DAKOTA
Director,
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
Tel: (605) 773-3563

(continued on next page)

WASHINGTON

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

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

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

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

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

(state agency)
Administrator
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
Tel: (360) 902-8760
Fax: (360) 902-0524

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

Exhibit C
To Franchise Disclosure Document

FINANCIAL STATEMENTS

HAPA YOGA HOLDINGS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

ELLSWORTH • STOUT
CPAs and Consultants

HAPA YOGA HOLDINGS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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ELLSWORTH • STOUT
CPAs and Consultants

Independent Auditor's Report

To the Shareholder
Hapa Yoga Holdings, Inc.

We have audited the accompanying financial statements of Hapa Yoga Holdings, Inc., which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hapa Yoga Holdings, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ellsworth & Stout, LLC

April 1, 2019
Las Vegas, NV

CPA
The CPA. Never Underestimate The Value.®
Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
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lvcpas.com
Members of the American Institute of Certified Public Accountants & Nevada Society of Certified Public Accountants

HAPA YOGA HOLDINGS, INC.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	$ 2,048	$ 27,506
Total Assets	$ 2,048	$ 27,506
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)		
Current Liabilities:		
Deferred revenue	$ 18,000	$ -
Shareholder's Equity (Deficit)		
Common stock, no par value; 100,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	61,453	47,552
Accumulated deficit	(77,405)	(20,046)
Total Shareholder's Equity (Deficit)	(15,952)	27,506
Total Liabilities and Shareholder's Equity (Deficit)	$ 2,048	$ 27,506

See accompanying notes to the financial statements.

HAPA YOGA HOLDINGS, INC.
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenue	$ 2,000	$ 20,000
Operating Expenses:		
Advertising	12,293	509
Office expense and miscellaneous	1,422	197
Professional fees	44,369	39,340
Taxes and licenses	1,275	-
Total operating expenses	59,359	40,046
Net Loss	(57,359)	(20,046)
Accumulated Deficit, Beginning of Year	(20,046)	-
Accumulated Deficit, End of Year	$ (77,405)	$ (20,046)

See accompanying notes to the financial statements.

HAPA YOGA HOLDINGS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Net loss	$ (57,359)	$ (20,046)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Increase (decrease) in deferred revenue	18,000	-
Net cash used in operating activities	(39,359)	(20,046)
Cash Flows From Financing Activities:		
Increase in additional paid-in capital	13,901	47,552
Net Change in Cash	(25,458)	27,506
Cash, Beginning of Year	27,506	-
Cash, End of Year	$ 2,048	$ 27,506

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of the Company

The Company was incorporated on December 22, 2016 under the laws of the state of California. The principal activity of the Company is to sale franchises that operate a boutique fitness studio that offers a variety of yoga and fitness classes, teacher training, and member workshops, and provides child care under the "Hapa Yoga" marks at locations throughout the United States.

Basis of Presentation

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

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Revenue Recognition

The Company follows the accrual method for recognizing revenue. Revenue from the sale of franchises is realized when all conditions relating to the sale of a franchise have been substantially performed or satisfied. Any fees collected by the Company before all material services and conditions are substantially performed are recorded as deferred revenue.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income. A valuation allowance is recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2018, there were no uncertain tax positions.

As of December 31, 2018, the tax years that remain subject to potential examination by taxing authorities begin with 2017.

Advertising

Advertising costs are expensed as incurred or the first time such advertisement appears. For the years ended December 31, 2018 and 2017, advertising costs were $12,293 and $509, respectively.

NOTE 2 – RELATED PARTIES

As compensation for services rendered to a business related through common ownership, the Company earned management fees for the years ended December 31, 2018 and 2017 of $2,000 and $20,000, respectively, which is included in revenue on the statement of income and accumulated deficit.

NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 1, 2019, the date on which the financial statements were available to be issued. No events were identified that required adjustment or disclosure in the financial statements.

Exhibit D
To Franchise Disclosure Document

STATEMENT OF PROSPECTIVE FRANCHISEE

HAPA YOGA
STATEMENT OF PROSPECTIVE FRANCHISEE

[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting.]

Since the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Hapa Yoga Holdings, Inc. (also called the "Franchisor" or "Hapa Yoga") both have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on the statements I/we make in this document, I/we assure the Franchisor as follows:

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

1.	______________, 20___ **Initials** ______________	The date on which I/we received a Uniform Franchise Disclosure Document about a Franchise.
2.	______________, 20___ **Initials** ______________	The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.
3.	______________, 20___ **Initials** ______________	The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Letter or other Acknowledgment of Receipt.)
4.	______________, 20___ **Initials** ______________	The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company.

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights-of-first-refusal or otherwise of any type (collectively, the "representations"), including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement, or any other written documents, have been made to or with me/us with respect to any matter (including, but not limited to, advertising, marketing, site location and/or development, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise) nor have I/we relied in any way on any such representations, except as expressly set forth in the Franchise Agreement, or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: ____

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by Franchisor, its affiliates or agents/representatives, nor have I/we relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

Prospective Franchisee's Initials: ___________________________________

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, the Prospective Franchisee obtaining any financing, the Prospective Franchisee's selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or the Prospective Franchisee fully performing any of the Prospective Franchisee's obligations, nor is the Prospective Franchisee relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: ___________________________________

4. The individuals signing for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Uniform Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, Area Development Agreement, each written Addendum and any Personal Guarantees.

Prospective Franchisee's Initials: ___________________________________

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I/we obtain such independent professional advice. I/we have also been strongly advised by the Franchisor to discuss my/our proposed purchase of, or investment in, a Hapa Yoga Studio Franchise with existing Franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Hapa Yoga Studio Franchisees.

Prospective Franchisee's Initials: ___________________________________

6. I confirm that, as advised, I've spoken with past and/or existing Hapa Yoga Studio Franchisees, and that I made the decision as to which, and how many, Hapa Yoga Studio Franchisees to speak with.

Prospective Franchisee's Initials: ___________________________________

7. I/we understand that: entry into any business venture necessarily involves some unavoidable risk of loss or failure, the purchase of a Hapa Yoga Franchise (or any other) is a speculative investment, an investment beyond that outlined in the Disclosure Document may be required to succeed, there exists no guaranty against possible loss or failure in this or any other business and the most important factors in the success of any Hapa Yoga Franchise, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills.

Prospective Franchisee's Initials: ____________________________________

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will (a) **immediately** inform the Franchisor's attorney at (858) 793-1094, and an officer of the Franchisor and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

I/we understand and agree that the Franchisor does not furnish or endorse, or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, that such information (if any) not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein) is not reliable and that I/we have not relied on it, that no such results can be assured or estimated and that actual results will vary from unit to unit, Franchise to Franchise, and may vary significantly.

Prospective Franchisee's Initials: _________________________________

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: ___________________________

PROSPECTIVE FRANCHISEE (Individual)

____
Signature

____
Printed Name

____
Signature

____
Printed Name

PROSPECTIVE FRANCHISEE (Corp., LLC or Partnership) [Must be accompanied by appropriate personal guarantee(s)]

____
Legal Name of Entity

a ______________________________________
State of incorporation, formation, etc.

By: _____________________________________

Printed Name: ____________________________

Title:____________________________________

Exhibit E
To Franchise Disclosure Document

TABLE OF CONTENTS OF THE OPERATIONS MANUAL

HAPA YOGA
OPERATIONS MANUAL
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Exhibit F
To Franchise Disclosure Document

GENERAL RELEASE OF ALL CLAIMS

GENERAL RELEASE OF ALL CLAIMS

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

1. On **______________________, Hapa Yoga Holdings, Inc.,** a California corporation ("**FRANCHISOR**"), and FRANCHISEE entered into a Franchise Agreement (the "**Franchise Agreement**") to operate a Hapa Yoga Franchised Business located at **________________________________** (the "**Premises**"). GUARANTOR guaranteed FRANCHISEE's performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the "Guarantee"). In consideration of FRANCHISOR'S processing and approval of ____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such _______________________. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

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

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

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

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

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

FRANCHISEE:

By: ____

Print Name: ____

Title: ____

GUARANTOR:

____, an individual

Exhibit G
To Franchise Disclosure Document

STATE SPECIFIC ADDENDA

ADDITIONAL STATE DISCLOSURES

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

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

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

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 Business Oversight at www.dbo.ca.gov.

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

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

Neither Hapa Yoga Holdings, Inc., nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

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

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

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

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

The Franchise Agreement requires application of the laws of the state where the business is located. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in San Diego, California, with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

HAWAII

ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety.

2. The "**Summary**" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Illinois law applies.

3. Illinois law governs the agreement(s) between the parties to this franchise.

4. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that arbitration may take place outside of Illinois. 815 ILCS 705/4 (West 2010)

5. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2010)

ILLINOIS

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

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

1. Section 19, "**ENTIRE AGREEMENT"** is amended by adding the following:

   No other representation has induced Franchisee to execute this Agreement and there are no representations (except for those made in the Franchise Disclosure Document that Franchisee received from Franchisor), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise.

2. Section 16.3, "**CHOICE OF LAWS,**" is deleted in its entirety and replaced with the following:

   EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), THE FEDERAL ARBITRATION ACT, OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF ILLINOIS.

3. Section 16.2, "**VENUE,**" is deleted in its entirety.

4. Under the law of Illinois, any condition, stipulation or provision that purports to bind a person acquiring a franchise to waive compliance with the Franchise Disclosure Act of Illinois is void. Accordingly, insofar as the Franchise Agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

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

Hapa Yoga Holdings, Inc.	Franchisee:_______________________________
By: _______________________________________	By: _______________________________________
Title:_____________________________________	Title: _____________________________________

ILLINOIS

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement is specifically amended as follows:

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

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

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

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

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

Hapa Yoga Holdings, Inc.	Franchisee:______________________________
By: ____________________________________	By: ____________________________________
Title:___________________________________	Title: __________________________________

MARYLAND

ADDENDUM TO DISCLOSURE DOCUMENT

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

> Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

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

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

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

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

MARYLAND

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

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

Sections 17.3 and 17.4 shall be supplemented by the following additional language:

> PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

Hapa Yoga Holdings, Inc.	Franchisee:________________________________
By: ______________________________________	By: ______________________________________
Title:_____________________________________	Title: _____________________________________

MARYLAND

AMENDMENT TO DISCLOSURE QUESTIONNAIRE

The Franchisee Disclosure Questionnaire is specifically amended as follows:

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (as amended), Md. Code Bus. Reg. Sections 14-201 through 14-233, the following paragraph is added to the Franchisee Disclosure Questionnaire:

> Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this questionnaire are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

____
Name of Franchisee/Applicant

Date: ____________________________ _______

____
Signature

____
Name and Title of Person Signing

MICHIGAN

ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

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

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

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

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

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

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

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

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

G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

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

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

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

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

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

Any questions regarding this notice should be direct to:

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

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

MINNESOTA

ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

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

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

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

MINNESOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

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

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

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

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

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit Franchisor from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2860.4400J prohibits a Franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; waiving any bond required by a court; or consenting to liquidated damages, Franchisor obtaining injunctive relief, termination penalties or judgment notes. However, Franchisor and Franchisee will enforce these provisions in the Agreement to the extent the law allows.

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

Hapa Yoga Holdings, Inc.	Franchisee:________________________________
By: ______________________________________	By: ______________________________________
Title:_____________________________________	Title: _____________________________________

NEW YORK

ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. All references made herein to a Disclosure Document shall be amended to Offering Prospectus.

2. The following paragraphs are added to the Disclosure Document Cover Page:

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

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

WE REPRESENT THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

3. Item 3 **Litigation** is amended by the addition of the following language:

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against it, him, or her alleging a felony; a violation of franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither we, our predecessors any person identified in Item 2, or an affiliate offering franchises under our principal trademark has any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices or comparable allegations.

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following paragraph is added to Item 4 **Bankruptcy**:

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

5. The following language is added to the end of Item 5 **Initial Franchise Fee**:

The initial franchise fee shall be used to compensate us for our costs in providing training materials, evaluating the site, and other services we provide to you prior to and as you begin operating your business.

6. Item 7 **Initial Investment** is amended by the addition of the following language:

There are no other direct or indirect payments to us in conjunction with the purchase of the franchise.

7. The "Summary" section of Item 17(s) entitled **Modification of the Franchise Agreement** will be amended by adding the following language:

We have the right to modify or revise lists of specifications, the Confidential Operations Manual, or any part of the System, provided that any revisions or modifications will not unreasonably increase your obligation or place an excessive and unreasonable economic burden on your operations.

8. The "Summary" section of Items 17(c) entitled **Requirements for you to renew or extent** and 17(m) entitled **Conditions for our approval of transfer** will be amended by adding the following language:

All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.

9. The "Summary" section of Items 17(d), entitled **Termination by franchisee,** will be amended by adding the following language:

The Franchisee may terminate the agreement on any grounds available by law.

10. The "Summary" section of Items 17(j), entitled **<u>Assignment of contract by franchisor</u>**, will be amended by adding the following language:

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

11. The "Summary" section of Items 17(w), entitled **<u>Choice of law</u>**, will be amended by adding the following language:

> The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business law of the State of New York.

NORTH DAKOTA

ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

   If we prevail in any enforcement action you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement

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

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

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

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

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

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

NORTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

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

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

2. The following is added to Section 17.2, "**VENUE**":

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

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

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

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

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

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

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

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

Hapa Yoga Holdings, Inc.	Franchisee:______________________________
By: ______________________________	By: ____________________________________
Title: ____________________________	Title: __________________________________

<u>RHODE ISLAND</u>

ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) entitled **<u>Choice of forum</u>**:

, except as otherwise required by the Rhode Island Franchise Investment Act

RHODE ISLAND

AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 17.4, "**CHOICE OF FORUM"** is amended by adding the following:

> §19-24.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

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

Hapa Yoga Holdings, Inc.	Franchisee:______________________________
By: ____________________________________	By: ____________________________________
Title: __________________________________	Title: __________________________________

SOUTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

The following provisions shall apply and supersede any provision in the Franchise Agreement to the contrary:

1. Franchise registration, employment, covenants not to compete and other matters of local concern will be governed by the laws of the State of South Dakota. As to contractual and all other matters, the Franchise Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of the State specified in Article 16 of this Agreement. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of South Dakota, is deleted from any Franchise Agreement issued in the State of South Dakota.

2. Any provision that provides that the parties' waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provision that provides that parties' waive their right to a jury trial may not be enforceable under South Dakota law.

3. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of South Dakota.

4. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make Royalty payments contained in the Franchise Agreement shall afford you thirty (30) days written notice with an opportunity to cure the default before termination.

5. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, schedules or attachments thereto, or the Disclosure Document, the terms of this Amendment shall govern.

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

Hapa Yoga Holdings, INC.	Franchisee:________________________
By: ________________________	By: ________________________
Title: ________________________	Title: ________________________

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hapa Yoga Holdings, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 17.h:

> "Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

WASHINGTON

ADDENDUM TO DISCLOSURE DOCUMENT

The following paragraph is added at the end of Item 17:

> If any of the provisions in this Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "**Act**"), the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document or Franchise Agreement.

WASHINGTON

AMENDMENT TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act (RCW 19.100.180), the parties to the attached Franchise Agreement agree as follows:

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

Hapa Yoga Holdings, Inc.	Franchisee:_______________________________
By: _______________________________	By: _______________________________________
Title: _____________________________	Title: _____________________________________

Exhibit H
To Franchise Disclosure Document

LIST OF FRANCHISEES AND THEIR OUTLETS

Bill and Karen Baker (location not yet open)
13161 Black Mountain Road, #9
San Diego, California 92129
619-572-3527
Karen.baker@hapayoga.com

Exhibit I
To Franchise Disclosure Document

LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

There are none.

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

Exhibit J
To Franchise Disclosure Document

AREA DEVELOPMENT AGREEMENT

HAPA YOGA

AREA DEVELOPMENT AGREEMENT

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HAPA YOGA

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this ____day of ____________________, by and between HAPA YOGA HOLDINGS, INC., a California corporation ("Franchisor) and ______________________________________, a/an _________________ __________________________________("Developer").

RECITALS

A. **WHEREAS**, Hapa Yoga, LLC, a California limited liability company, ("Licensor") owns and has developed and administers a system, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of boutique fitness studios that offer a variety of yoga and fitness classes, teacher training, and member workshops, and provide child care ("Hapa Yoga Studios") identified by the Hapa Yoga® trade name and other trademarks and service marks licensed hereunder (the "Marks").

B. **WHEREAS**, the System includes the Marks, trade secrets, and proprietary methods, information and procedures for the establishment and operation of Hapa Yoga Studios, including, without limitation, confidential manuals, training methods, fitness equipment, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, personnel management, distinctive interior design and display procedures, and color scheme and décor (the "Trade Dress").

C. **WHEREAS**, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a franchise to own and operate a Hapa Yoga Studio ("Studio") offering the products and services Franchisor authorizes utilizing the System and Marks.

D. **WHEREAS**, Developer has applied for an option to obtain franchises to own and operate multiple Studios and such application has been approved by Franchisor in reliance upon all of the representations made therein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

I. GRANT

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain franchises to own and operate _____________ (___) Studios within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Studio shall be established and operated pursuant to a separate franchise agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in Franchisor's then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Studios within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this Agreement.

(c) This Agreement is not a Franchise Agreement, and Developer shall have no right to use the Marks in any manner by virtue hereof or to engage in the business of offering, selling or distributing goods or services under the Marks or the System in any manner.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

II. <u>NO EXCLUSIVITY</u>

(a) Developer receives no exclusive rights to the Designated Territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Studio in the Designated Territory.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, a Studio using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

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

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

(iv) solicit, and allow others to solicit, prospective members located anywhere, including those members who live or work within the Designated Territory;

(v) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Hapa Yoga Studios, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

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

(vii) engage in all other activities not expressly prohibited by this Agreement.

III. DEVELOPMENT FEE

(a) As consideration for the rights and options granted herein, Developer shall pay to Franchisor a development fee ("Development Fee") in the amount ______________________________ ($__________), which amount is equal to $30,000 for the first Studio plus $20,000 for each additional Studio to be developed under the terms of this Agreement.

(b) The Development Fee is to be paid simultaneously with the execution of this Agreement. The Development Fee is non-refundable, notwithstanding any provision to the contrary contained herein or in any Franchise Agreement.

(c) Notwithstanding anything to the contrary contained in the Franchise Agreement, the Initial Franchise Fee for each Studio developed hereunder shall be $30,000 for the first Studio, and $20,000 for the second Studio and each subsequent Studio thereafter.

(d) The Development Fee shall be credited to the Initial Franchise Fee due for each of the Studios developed under this Agreement, such that no further amount is due and owing by Developer/Franchisee to Franchisor in connection with any or all of the Studios listed on the Development Schedule attached hereto.

(e) Developer shall submit separate site information for each Studio to be established within the Designated Territory by Developer. Upon approval of the site of the Studio by Franchisor, a separate Franchise Agreement shall be executed for each such Studio. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Studio.

IV. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS

(a) Developer agrees to have open and in operation at the end of each development period set forth on the Development Schedule the cumulative number of Studios set forth on the Development Schedule. During each Development Period, Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Studios described under the Development Schedule and have such number of Studios open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Studios set forth on the Development Schedule, provided however that such obligation does not apply to Studios that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each option granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Studio and complying with its terms, including, without limitation, the payment of the unpaid balance of the applicable Initial Franchise Fee.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Studio in compliance with the System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer and Franchisor and the Studio to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

V. TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire 90 days from the opening date set for the last Studio to be opened by Developer on the Development Schedule attached hereto.

VI. DEVELOPER'S DUTIES

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement. However, Developer will not be required to attend the initial franchisee training conducted by Franchisor in connection with the second or any subsequent Studio.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a district manager to oversee the development and operation of Developer's Studios. Such district manager must be a Designated Operator under a Franchise Agreement for one of the Studios to be developed under this Agreement, and shall be in addition to, not in lieu of, the managers responsible for the day to day operations of the Studios, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Studios when Developer leaves the System.

VII. PROPRIETARY MARKS/CONFIDENTIALITY

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor now owns or may hereinafter own. Rights to the Marks, confidential information or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer.

VIII. DEFAULT AND TERMINATION

(a) The options granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer (i) fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for the Studios within any Options Period, as set forth on the Development Schedule; (ii) fails to comply with any other term or condition of this Agreement; or (iii) makes or attempts to make a transfer or assignment in violation of this Agreement or if Developer fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

(i) Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

(ii) Reduce the number of Studios, without refunding any of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement; or

(iii) Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining options granted Developer to establish Studios under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Studio for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

(f) If Developer is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Developer, Developer may terminate this Agreement and/or seek relief in equity or at law.

IX. TRANSFERABILITY

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), members (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-current form of the Area Development Agreement for a term equal to the remaining term hereof; and (iv) are willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or corporation which conducts no business other than the business contemplated hereunder and the operation of the Studios, which is actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, members or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section IX, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or an interest in Developer or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the shareholders, members or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

X. COVENANTS

(a) Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. Developer therefore agrees that, during this Agreement's term, neither Developer, any of Developer's owners, nor any of Developer's or Developer's owners' immediate family members will:

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of a Hapa Yoga Studio to a Competitive Business; or

(iv) engage in any other activity which might injure the goodwill of the Marks and/or the System.

The term "Competitive Business" means any business (other than a Hapa Yoga Studio) principally offering products and services substantially similar to the products and services then being offered by the majority of Hapa Yoga Studios.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, consult with or have any interest in any Competitive Business within the Designated Territory or within a five (5) mile radius of any other Hapa Yoga Studio in operation or under construction on the later of the effective date of termination or expiration of this Agreement or on the date on which all persons restricted by this Subsection begin to comply with this Subsection.

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

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

(e) Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

XI. NOTICES

All written notices permitted or required to be delivered by the provisions of this Agreement, shall be deemed so delivered on the date when hand delivered; one (1) day after sending by telegraph or after the date of deposit, if deposited with a commercial delivery service which guarantees next day delivery; or three (3) days after placed in the mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most-current principal business address of which the notifying party has been notified.

XII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Studio or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

(d) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

XIII. APPROVALS

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

XIV. NON-WAIVER

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

XV. SEVERABILITY AND CONSTRUCTION

(a) Each provision of this Agreement shall be deemed severable from the others.

(b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section IX hereof, any rights or remedies under or by reason of this Agreement.

(c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

(d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.

(e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.

(f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

XVI. ENTIRE AGREEMENT

This Agreement constitutes the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XVII. SUPERIORITY OF FRANCHISE AGREEMENT

For each Studio developed in the Designated Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with the Studios within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former.

XVIII. ENFORCEMENT

No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section XIX). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

XIX. DISPUTE RESOLUTION

For the purposes of this Section XIX, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

(a) **MEDIATION AND MANDATORY BINDING ARBITRATION**

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and

Franchisor have agreed that the provisions of this Section XIX support these mutual objectives and, therefore, agree as follows:

(1) **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section XIX.(4).

(i) First, discussed in a face-to-face meeting held within thirty (30) days after either Developer or Franchisor give written notice to the other proposing such a meeting.

(ii) Second, if not resolved, submitted to non-binding mediation. Developer and Franchisor will split the costs and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Developer and Franchisor do not want to participate in mediation, then they may proceed to arbitration as provided below.

(iii) Third, submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the arbitration rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction.

(2) Developer and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section XIX.(d), below.

(3) Franchisor and Developer agree that any arbitration between Franchisor and Developer shall be of Developer's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

(b) **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

(c) **Fees and Costs**. The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration against the party who does not prevail.

(d) **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes relating primarily to (i) the validity of the Marks and/or any intellectual property licensed to Franchisee, and (ii) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Franchisee and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

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

(f) **Limitations on Claims.** Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

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

(h) **Choice of Laws.** Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall **not** apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section XIX.(h). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

XX. "DEVELOPER" DEFINED AND GUARANTY

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percentage of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

XXI. ELECTRONIC MAIL

Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section XI unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

XXII. ACKNOWLEDGMENTS

Developer acknowledges:

(a) That Developer has independently investigated this franchise opportunity and recognizes that, like any other business, the nature of the business a Hapa Yoga Studio conducts may, and probably will, evolve and change over time.

(b) That an investment in a Studio involves business risks that could result in the loss of a significant portion or all of Developer's investment.

(c) That Developer's business abilities and efforts are vital to Developer's success and the success of Developer's business.

(d) That Developer has not received from Franchisor, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Studio, that any information Developer has acquired from other Hapa Yoga Developers/Franchisees regarding their sales, profits, or cash flows was not information obtained from Franchisor, and that Franchisor makes no representation about that information's accuracy.

(e) That in all of their dealings with Developer, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between Developer and them as a result of this Agreement are deemed to be only between Developer and Franchisor.

(f) That Developer has represented to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Developer has made and all materials Developer has given Franchisor are accurate and complete and that Developer has made no misrepresentations or material omissions in obtaining the franchise.

(g) That Developer has read this Agreement and Franchisor's franchise disclosure document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each Studio, and to protect and preserve the goodwill of the Marks.

(h) That Franchisor has not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and Franchisor's franchise disclosure document, and that Developer has independently evaluated this opportunity, including by using Developer's business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement.

(i) That Developer has been afforded an opportunity to ask any questions Developer has and to review any materials of interest to Developer concerning this franchise opportunity.

(j) That Developer has been afforded an opportunity, and has been encouraged by Franchisor, to have this Agreement and all other agreements and materials Franchisor has given or made available to Developer reviewed by an attorney and has either done so or elected not to do so.

(k) That Developer has a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and Developer will have sufficient funds to meet all of Developer's obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in duplicate on the day and year first above written.

HAPA YOGA HOLDINGS, INC.
a California limited liability company

By:___________________________________

Print Name: ____________________________

Title:_________________________________

DATED:_______________________________

Developer

(IF Developer IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Name]

By:____________________________________

Print Name: ____________________________

Title:__________________________________

DATED:_______________________________

[Signatures Continued on Following Page]

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:_____________________________________

Print Name: ______________________________

DATED:_________________________________

By:_____________________________________

Print Name: ______________________________

DATED:_________________________________

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DESIGNATED TERRITORY

____

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____

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____

HAPA YOGA HOLDINGS, INC.
a California limited liability company

By:___________________________________

Print Name: ___________________________

Title:_________________________________

DATED:_____________________________

Developer

(IF Developer IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Name]

By:___________________________________

Print Name: ___________________________

Title:_________________________________

DATED:_____________________________

(IF Developer IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:___________________________________

Print Name: ___________________________

DATED:_____________________________

By:___________________________________

Print Name: ___________________________

DATED:_____________________________

EXHIBIT B TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

At the dates set forth below, Developer is obligated by Section IV of the Area Development Agreement to have open and in operation the number of Studios indicated below:

	Date by which Indicated Studio Must be Open for Business	**Cumulative Number of Studios to be Open and in Operation**
First Studio	____________ ___, 20__	_________________
Second Studio	____________ ___, 20__	_________________
Third Studio	____________ ___, 20__	_________________

HAPA YOGA HOLDINGS, INC.
a California limited liability company

By:_________________________________

Print Name: __________________________

Title:________________________________

DATED:______________________________

DEVELOPER
(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Name]

By:___________________________________

Print Name: ____________________________

Title:_________________________________

DATED:_______________________________

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:___________________________________

Print Name: ____________________________

DATED:_______________________________

By:___________________________________

Print Name: ____________________________

DATED:_______________________________

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ___ day of ___________, 20__, by ____ ____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "Agreement") on this date by **Hapa Yoga Holdings, INC.** ("Franchisor"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and Franchisor's successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _______________________________________ ("Developer") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Developer or any other person; and (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, Franchisor shall be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Guarantor agrees to be personally bound by the arbitration obligations under Section XIX of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section XIX of the Agreement in accordance with its terms.

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

GUARANTOR(S)

Signature: ______________________________	Signature: ______________________________
Name: ______________________________	Name: ______________________________
Signature: ______________________________	Signature: ______________________________
Name: ______________________________	Name: ______________________________

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

______________________________ Name of Guarantor	______________________________ Name of Guarantor
______________________________ Name of Guarantor's Spouse	______________________________ Name of Guarantor's Spouse
______________________________ Signature of Guarantor's Spouse	______________________________ Signature of Guarantor's Spouse
______________________________ Name of Guarantor	______________________________ Name of Guarantor
______________________________ Name of Guarantor's Spouse	______________________________ Name of Guarantor's Spouse
______________________________ Signature of Guarantor's Spouse	______________________________ Signature of Guarantor's Spouse

Exhibit K
To Franchise Disclosure Document

RECEIPTS

ITEM 23
RECEIPT

This Disclosure Document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Hapa Yoga Holdings, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Oklahoma require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Hapa Yoga Holdings, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit B.

The franchisor is Hapa Yoga Holdings, Inc. located at 4242 Camino Del Rio North, Suite #10, San Diego, CA 92108. The name, principal business address, and telephone number of each Franchise Seller offering the Franchise are: Tina Knight Ardolino (619) 504-2528 and Daniel Durney (480) 331-3171, 4242 Camino Del Rio North, Suite #10, San Diego, CA 92108 / (619) 309-6732.

Issuance Date: April 10, 2019. The effective date in each state is listed on the State Cover Page. Hapa Yoga Holdings, Inc. authorizes the agents listed in Exhibit B to receive service of process for it.

I have received a Franchise Disclosure Document dated April 10, 2019. This Disclosure Document included the following Exhibits:

A. FRANCHISE AGREEMENT AND EXHIBITS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
C. FINANCIAL STATEMENTS
D. STATEMENT OF PROSPECTIVE FRANCHISEE
E. TABLE OF CONTENTS OF THE OPERATIONS MANUAL
F. GENERAL RELEASE OF ALL CLAIMS
G. STATE-SPECIFIC ADDENDA
H. LIST OF FRANCHISEES AND THEIR OUTLETS
I. LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
J. AREA DEVELOPMENT AGREEMENT
K. RECEIPTS

____________________________	____________________________
(Print Name)	(Signature)

____
Date
Keep this copy for your records.

ITEM 23
RECEIPT

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J. AREA DEVELOPMENT AGREEMENT
K. RECEIPTS

____________________________ ____________________________
(Print Name) (Signature)

____
Date

Please sign this copy of the receipt, date your signature, and return it to:
Hapa Yoga Holdings, Inc. located at 4242 Camino Del Rio North, Suite #10, San Diego, CA 92108.