FRANCHISE DISCLOSURE DOCUMENT

BARRE SKINNY, LLC
(A Tennessee limited liability company)
4445 Kingston Pike
Knoxville, Tennessee 37919
Telephone: (865) 692-1148
www.neighborhoodbarre.com

Barre Skinny, LLC is offering franchises for the operation of an exercise studio using a combination of dance conditioning, Pilates and isometric techniques and also selling exercise equipment and merchandise.

The total investment necessary to begin operation of a NEIGHBORHOOD BARRE Studio franchise, excluding the lease of a facility, ranges from $78,540 to $248,500. This includes between approximately $39,040 to $41,200 that must be paid to the franchisor.

We also grant to qualified persons rights to a specific geographic area in which to develop a predetermined number of Studios under a Development Agreement. If you sign a Development Agreement, in addition to payment of the initial franchise fee for the first Studio, you pay a Development Fee of $15,000 for each additional Studio to be developed, which is later applied to the initial franchise fee due for the additional Studio. You must open a minimum of 2 Studios under a Development Agreement. The total investment necessary to begin developing 2 to 5 franchised Studios ranges from $93,100 to $308,000. These amounts include $50,000 to $95,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Katy Richardson at 4445 Kingston Pike, Knoxville, TN, 37919, telephone (865) 692-1148.

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 an accountant.

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

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

ISSUANCE DATE: May 12, 2023

How to Use this Franchise Disclosure Document

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

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

What You Need to Know about Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement and the development agreement require you to resolve disputes with the franchisor by litigation only in Tennessee. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Tennessee than in your own state.

2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

3. **Inventory Control.** You must maintain inventory and supply levels designated by the franchisor. Your inability to maintain inventory levels may result in termination of your franchise and loss of your investment.

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

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Exhibit A	List of State Agencies/Agents for Service of Process
Exhibit B	Franchise Agreement Exhibit I Addendum to Franchise Agreement Exhibit II Guaranty and Assumption of Franchisee's Obligations Exhibit III Statement of Ownership Exhibit IV Permit, License and Construction Certificate Exhibit V Authorization Agreement for Prearranged Payments Exhibit VI Credit Card Payment Authorization
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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor and any Parents, Predecessors and Affiliates

The name of the franchisor is Barre Skinny, LLC. Barre Skinny, LLC will be referred to as "**we**," "**us**," "**our**" or "**BSL**" in this Disclosure Document. We will refer to the person who buys the franchise as "**you**" or "**your**" throughout this Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted. BSL's principal offices are located at 4445 Kingston Pike, Knoxville, TN, 37919. We presently do business under the names "Barre Skinny" and "Neighborhood Barre." We were formed on July 30, 2014, as a Tennessee limited liability company. Our agents for service of process are listed on Exhibit A. In addition to operating as a franchisor, BSL sells branded exercise equipment, clothing and other merchandise on a website to the general public and to franchisees.

Neighborhood Barre, LLC, a Tennessee limited liability company ("**NBL**") formed on May 4, 2011, is our affiliate. NBL began operating the first NEIGHBORHOOD BARRE Studio in October of 2011 and currently operates two Studios located in Knoxville, Tennessee and one Studio located in Gallatin, Tennessee. NBL shares our headquarters. We have no parent or predecessor company.

The Franchise

We offer franchises for the operation of exercise studios ("**NEIGHBORHOOD BARRE Studios**" or "**Studios**"), that use a combination of dance conditioning, Pilates and isometric techniques in classes offered to individuals of all experience and fitness levels. Studios also sell branded mats, exercise balls, bands, and other approved equipment, merchandise, and clothing. NEIGHBORHOOD BARRE Studios operate using our distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, and operational standards and specifications (together, the "**Licensed Methods**"). We franchise the operation of Studios under our trade name and service mark "NEIGHBORHOOD BARRE" and other logos, trademarks, service marks and commercial symbols (together, the "**Marks**").

A Franchise Agreement ("**Franchise Agreement**"), which is attached as Exhibit B to this Disclosure Document is signed for each NEIGHBORHOOD BARRE Studio. You will receive the right to use our Marks and Licensed Methods to operate your Studio at a location approved by us ("**Franchised Location**").

NEIGHBORHOOD BARRE Studios

NEIGHBORHOOD BARRE Studios are typically between 1,200 and 1,600 square feet in size with adequate instruction and retail areas. NEIGHBORHOOD BARRE Studios have cork flooring suitable for bare feet, mirrors, and ballet barres on one wall with enough space to accommodate between 20 and 30 mats for classes of up to 30 people. The Studios also have a reception counter and waiting area, changing area and bathrooms, a storage room, retail display and a designated area for in-studio childcare.

NEIGHBORHOOD BARRE Studios feature a friendly, accepting atmosphere where people of all ages and levels of fitness can enjoy classes designed to strengthen and elongate their muscles. You are encouraged to become involved in local charity events that raise money by sponsoring walks, runs and other physical activities in your community, as well as "donation only" classes within the Studio. Studios are staffed with certified instructors who provide classes after attending the instructor certification program

described in Item 11. NEIGHBORHOOD BARRE Studios offer instruction varying in cost based on individual class pricing or membership pricing.

Multiple Studios

If you qualify, we may grant you the right to develop multiple NEIGHBORHOOD BARRE Studios within a designated geographic area under our Development Agreement, which is attached as Exhibit C to this Disclosure Document. The Development Agreement states the number of NEIGHBORHOOD BARRE Studios and schedule for development and designates a geographic area ("**Development Area**") reserved for your development of Studios. You will sign a separate Franchise Agreement for each Studio to be developed under the Development Agreement. For each Studio developed under the Development Agreement, you must sign our then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement attached to this Disclosure Document. The scope and term of your Development Agreement and the number of NEIGHBORHOOD BARRE Studios to be developed depends on your development plans and our determination of your financial capability and qualifications to develop multiple Studios in the Development Area.

Regulations

You must investigate and comply with all local, state, and federal laws and regulations affecting your Studio. We are not aware of any regulations specific to the operation of a Studio in your state, although you are responsible for complying with all local, state, and federal laws of a general nature which affect the operation of your Studio such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act. Some states regulate the sale of memberships by athletic clubs and such regulations may apply to the membership pricing offered by your Studio. You should consult with your attorney on this subject, especially regarding state and local laws, rules and regulations that may affect the operation of your NEIGHBORHOOD BARRE Studio at your particular location. You are responsible for complying with employment, workers' compensation, insurance, corporate, taxing, licensing, zoning and similar laws and regulations.

Market and Competition

The market for your services will include women and men at all fitness levels and ranging in age from teens to seniors. The sale of the services and merchandise offered by a NEIGHBORHOOD BARRE Studio is not seasonal. The fitness and exercise training industry and the sale of fitness merchandise, equipment and apparel is very fragmented. You will encounter competition from other fitness studios, athletic clubs, and recreational facilities, retail stores and Internet sites that sell fitness programs, apparel and equipment. You may even experience competition from other NEIGHBORHOOD BARRE Studios within the same market area as your Studio and from us or our affiliates, including NBL, which sell equipment and apparel via the Internet, other electronic methods, mail order, retail store display, wholesale and through other channels of trade. In addition, NBL also offers customers in all locations paid access to online fitness and exercise classes.

Business Experience

Certain of our principals, through NBL, have substantial experience in Studio operations. NBL currently operates three NEIGHBORHOOD BARRE Studios, one in Gallatin, and two in Knoxville, Tennessee. Since our business is limited to operating as a franchisor and as a distributor of equipment and merchandise, we do not currently operate a Studio of the type to be operated by you. We have offered franchises for NEIGHBORHOOD BARRE Studios since June of 2015. Neither any affiliate nor we have

offered franchises in any other lines of business. No affiliate has offered franchises for the same type of business to be operated by you.

ITEM 2

BUSINESS EXPERIENCE

President and Manager: Katherine B. Richardson

Ms. Richardson has been our President and Manager since our inception in July 2014. She has also served as President and Manager of our affiliate Neighborhood Barre, LLC, since its inception in May 2011. She is the founder of the NEIGHBORHOOD BARRE concept and a certified yoga instructor.

Treasurer: Brett Richardson

Mr. Richardson has been our Treasurer since our inception in July 2014. Since July 2011, he has been a retailer of wine and spirits through Admiral Wine and Spirits in Knoxville, Tennessee.

Director of Studio Operations: Bethany Stearns

Ms. Stearns has served as our Director of Studio Operations since August 2018. She has also worked as an Athletic Trainer at Memorial Health in Savannah, Georgia since August 2017, and at Tenet Healthcare in Bluffton, South Carolina since December 2017. From August 2016 through June 2017, she was an Athletic Trainer at Advanced Physical Therapy Solutions in Fayetteville, North Carolina, and from January 2016 through June 2016, she served as a Batallion Athletic Trainer for Venesco LLC in Fort Leonard Wood, Missouri. From August 2013 to December 2015, she was an Athletic Trainer at Memorial Health in Savannah, Georgia.

Head of Content Creation and Master Trainer: Anna Perry

Ms. Perry has been our Head of Content Creation and a Master Trainer since September 2018. She began her association with NEIGHBORHOOD BARRE Studios as a fitness instructor at one of our Studios in March 2017. She was a fitness instructor at Cycle Bar in Nashville, Tennessee from July 2016 to September 2018. She has also served as a choreographer at Studio Tenn, a performing arts studio in Nashville, Tennessee, since May 2016. From October 2009 to May 2015, she was a dancer for Royal Caribbean Productions located in New York, New York.

Head of Franchise Sales: Jessie Morgan

Ms. Morgan has served as our Head of Franchise Sales since March 2021. She began her association with NEIGHBORHOOD BARRE Studios in February 2020 when she purchased a franchise in Baton Rouge, Louisiana. She has also worked as a realtor with Keller Williams Premier Partners in Baton Rouge, Louisiana, since 2022. From 2019 to 2020, she worked as a Director of Digital Media and Advertising at iHeart Media in Baton Rouge, Louisiana. From 2018 to 2019, she was an Account Executive for NexStar Media in Baton Rouge, Louisiana. From 2017 to 2018, she was an Account Executive at Townsquare Media in Lafayette, Louisiana.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

You will pay an initial franchise fee of $35,000 when you sign the Franchise Agreement for your first NEIGHBORHOOD BARRE Studio.

You will also pay us between $4,040 and $6,200 before your Studio opens for an opening inventory of exercise equipment ($2,100 - $3,000), and merchandise ($1,000 - $2,000), plus interior signs ($200-$400), items to give away at the grand opening ($300), and a music license ($440-$500) to use at your Studio.

If you qualify and elect to purchase a Development Area in which to develop more than one Studio, you must sign a Development Agreement. When you sign the Development Agreement, you also sign the Franchise Agreement and pay the initial franchise fee for the operation of the first Studio described above. On execution of the Development Agreement, you will also pay a Development Fee of $15,000 for each subsequent Studio to be developed under the Development Agreement. We apply the $15,000 Development Fee paid for the second and subsequent Studios to be developed toward the discounted initial franchise fee of $25,000 for the second and each subsequent Studio. The $10,000 balance of the initial franchise fees for the second and subsequent Studios to be developed under the Development Agreement will be due on the earlier of: (1) execution of the Franchise Agreement for that Studio; or (2) the date set forth in the Development Agreement which corresponds to the deadline for developing that Studio.

All initial fees, once paid, are nonrefundable. Except as outlined in this Item 5, all franchisees currently acquiring a franchise pay the same franchise fee. During our most recent fiscal year, all franchisees paid the same franchise fees.

ITEM 6

OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty[2]	6% of Gross Sales or $500 per month, whichever is greater	Payable monthly on the 10th day of each month for the previous month.	"Gross Sales" includes all revenue from the Studio, including sales made away from the Studio, not including taxes, discounts or refunds. Royalties are paid by electronic transfer of funds.
Advertising Contribution[2]	1% of Gross Sales	Payable monthly on the 10th day of each month for the previous month.	Advertising Contributions are paid by electronic transfer of funds.

Type of Fee[1]	Amount	Due Date	Remarks
Local Advertising Expenditure[4]	$250 per month, averaged each quarter	You must spend an average of this amount each month, calculated and reconciled each calendar quarter, starting when your Studio opens for business.	This local advertising expenditure is in addition to the Advertising Contribution but is retained by you. This is the minimum average which must be spent during each month, with a report of expenditures submitted to us within 30 days after the end of each quarter. If we establish a regional advertising Co-op which includes your Studio, all or a portion of your local advertising allocation may be reallocated to the Co-op.
Regional Advertising Co-ops[4]	We reserve the right to allocate all or a portion of the amount of your Advertising Contribution and Local Advertising Expenditure.	Payable as directed by Co-op	As of the date of this Disclosure Document, there are no established cooperatives. If a cooperative is established, our Studios will contribute on the same basis as franchised businesses.
Website Maintenance and Intranet Fees[2]	$125 per month. This amount is subject to increase based on supplier fee increases.	Payable monthly for the previous month.	Website maintenance and Intranet fees are paid by electronic transfer of funds. They are currently charged for regular website maintenance and email services and creating and maintaining an Intranet site.
Interest and Late Charge[2]	Lesser of 1.5% per month, plus a $50 late payment charge or highest rate of interest allowed by law	On demand	Begins to accrue the day after payments are due for Royalties, any product purchases from or through us or our affiliates and Advertising Contributions. A $50 late charge may also be assessed for failure to timely submit required reports and financial statements.
Costs of Inspection and Audit[2]	Varies according to your location.	As incurred	Payable only if you underpay Royalties or Advertising Contributions by more than 5%, do not submit reports to us or do not cooperate in performance of inspection and audit.
Transfer Fee[2]	$12,500, plus $5,000 for transfer of each right to develop a franchise under any Development Agreement	Before effectiveness of transfer	Payable when you transfer the franchise agreement, interest in the Studio, or the franchise.
Successor Franchise Fee[2]	$7,500	When you sign the then current Franchise Agreement	Payable when you renew the term of your Franchise Agreement.

Type of Fee[1]	Amount	Due Date	Remarks
Training Program Expenses[3],[4]	Travel and living costs associated with attending mandatory training sessions.	As incurred	Initial training is included as part of your initial franchise fee, except for those costs paid to other parties. We may require additional training at other times at your expense.
Additional Training[2]	Current published rate	As incurred	Payable for additional training, including the training of additional or replacement Principal Managers.
Instructor Certification Program[2]	Up to $600 per instructor, plus travel and living expenses for Level 1 Training. Additional trainings for Intermediate and Advanced classes range between $200 and $300 per certification.	As incurred	We provide Level I training for up to 6 instructors included as part of your initial franchise fee. Intermediate and advanced trainings are at your expense. These fees are payable if you hire new instructors during the term of your Franchise Agreement. All trainers must successfully complete our Level I certification program.
Costs and Attorneys Fees[2]	Will vary depending on nature of your default or the claim brought.	As incurred	Payable if we are successful in a legal action or arbitration proceeding.
Indemnification Under Franchise Agreement[2]	Will vary depending on nature of the claim against us.	As incurred	You have to reimburse us if we are held liable for claims resulting from your NEIGHBORHOOD BARRE Studio.
Insurance Premiums[2]	Will vary depending on your location and insurer.	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us.
Cost of Testing and Investigation[2]	Will vary depending on investigation necessary.	As incurred	You have to reimburse us for any and all reasonable costs we incur in investigating and determining whether any previously unapproved items or suppliers that you desire to use meet our standards and specifications.
Additional Assistance[2]	$150 per hour for strategic support in excess of 2 hours each month. You receive 2 hours of remote assistance each month for no additional charge.	As incurred	We charge you for travel, lodging, living expenses, telephone charges and other identifiable expenses associated with on-site assistance requested by you, plus a fee based on time spent by each employee, in accordance with then-current daily rates being charged for assistance.

1 The fees in Item 6 apply to all franchises developed under a Development Agreement.

2 Fees which we charge and must be paid to us. We do not refund these fees. All fees and charges are payable by electronic funds transfer and pre-authorized credit card. Except as described in this Item, all fees are uniformly imposed on franchisees currently acquiring a franchise. We reserve the right to modify these fees, under certain circumstances,

including to resolve disputes, to address current business and economic conditions and under other circumstances.

3 Expenses associated with travel, meals and lodging while attending mandatory training sessions. All of these expenses are payable to third parties. These expenses will vary according to where you stay, where you eat and how far you have to travel. We reserve the right to conduct all mandatory training sessions virtually or to send a trainer to your location, in our sole discretion. If we send a trainer to your Studio, you will pay for travel, meals and lodging for the trainer.

4 Fees which are not paid to us but are not refundable.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	$35,000	Lump Sum	Due at signing of Franchise Agreement.	Us
Leasehold Improvements (See Note 2)	$20,000-$150,000	As incurred	Before Opening	Other Suppliers
Design Fee (See Note 3)	$1,000-$2,500	Lump Sum	Before Opening	Our Approved Architect/Design Firm
Signage (See Note 4)	$1,500-$6,500	As incurred	Before Opening	Us and Other Suppliers
Studio Exercise Equipment (See Note 5)	$2,540-$3,500	As incurred	Before Opening	Us
Furniture and Fixtures (See Note 6)	$2,000-$5,000	As incurred	Before Opening	Other Suppliers
POS System and Office Computer System (See Note 7)	$2,000-$3,000	As incurred	Before Opening	Other Suppliers
Inventory & Merchandise (See Note 8)	$2,000-$5,000	Lump Sum	Before Opening	Us and Other Suppliers
Initial Training Expenses (See Note 9)	$900-$4,000	As incurred	Before Opening	Other Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Grand Opening Marketing Campaign (See Note 10)	$1,500-$2,500	As incurred	As incurred	Us and Other Suppliers
Business Licenses (See Note 11)	$100-$1,500	As incurred	Before Opening	Other Suppliers
Additional Funds - 3 Months (See Note 12)	$10,000-$30,000	As incurred	As Incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 12)	**$78,540 to $248,500**			

Explanatory Notes

Note 1: Initial Franchise Fee. If you qualify and elect to sign a Development Agreement, on signing you must pay the initial franchise fee referred to in the chart for the first NEIGHBORHOOD BARRE Studio, plus a Development Fee of $5,000 for each subsequent Studio to be developed. We apply the Development Fee paid for the second and subsequent NEIGHBORHOOD BARRE Studios to be developed toward the discounted initial franchise fee for each of these Studios. See Item 5.

Note 2: Leasehold Improvements. You must obtain a facility that meets our standards and specifications. Typically, your NEIGHBORHOOD BARRE Studio will be 1,200 to 1,600 square feet and be located in leased retail space. The estimates in the above chart reflect the build-out of space of this size, although your actual costs may vary under or over the estimates. The low-range estimate assumes that you obtain a tenant finish allowance from your landlord. Your costs to improve the Franchised Location will depend in part on whether your space is completely constructed or is the remodel of an existing space, the square footage of your space and market rates in your area. The leasehold improvements, which must be completed in accordance with our standards and specifications, customarily include interior remodeling, floor finishing, painting, electrical, design and various other improvements.

These costs may vary significantly from market to market. If you purchase property or a building, or both, for the Studio, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for a NEIGHBORHOOD BARRE Studio. We are unable to estimate these costs due to the significant variances based on location and market conditions. We are also unable to estimate the cost of leasing a Studio space and lease security deposit for your Studio due to significant variances based on market conditions, size variances, whether the landlord provides a tenant finish allowance and other variables. If you intend to lease your Studio, you should investigate the rates in the area in which you propose to locate your Studio as well as the other factors which will affect your rent expense and lease security deposit.

Note 3: Design Fee. This item includes fees paid to our approved architect or design firm to design the Studio. As of the date of this Disclosure Document, our approved architect charges $45 an hour.

Note 4: Signage. This item includes required outdoor signage purchased from approved suppliers and indoor signage purchased from us.

Note 5: Exercise Equipment. This item includes required exercise equipment, including branded mats, balls, and bands, plus music license fees.

Note 6: Furniture and Fixtures. This item includes basic furnishings for the reception area and administrative office, a display case for merchandise, and one glass and stainless-steel beverage fridge.

Note 7: POS System and Computer System. This estimate includes the cost of the Computer System and POS System, including hardware and software. See Item 11 for a general description of the required computer hardware and software for your Studio.

Note 8: Inventory. This item includes equipment and merchandise for resale. You must open with and maintain a supply of branded mats, exercise balls, bands, clothing, and other items as designated by us.

Note 9: Initial Training Expenses. Your travel and living expenses when you attend our initial training program vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program. If you agree, we may offer to send a trainer to your Studio for initial training in which case you will pay travel and living expenses of the trainer who provides the initial training program.

Note 10: Grand Opening Marketing Campaign. We will determine the amount you will spend for your grand opening marketing campaign within this range.

Note 11: Business Licenses. Business licenses generally range from a nominal amount to $1,500.

Note 12: Additional Funds. This estimates additional funds necessary for the first three months of your business operations, including expenses related to entering into a lease for Studio space. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. You should investigate the market rates for the purchase of land and building and the rental rates in the area where you propose to locate your Studio. We relied on our President's 12 years of experience operating Studios when preparing these figures. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We do not offer any financing in connection with your initial investment. None of the fees and costs estimated in the chart above are refundable except deposits paid to third parties may be refundable.

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YOUR ESTIMATED INITIAL INVESTMENT- DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee (See Note 1)	$50,000 to $95,000	Lump Sum	Upon signing the Development Agreement	Us
Other Expenditures for first Studio (less initial franchise fee for first Studio, which is included in the Development Fee) (See Note 2)	$43,100 to $213,000	As disclosed in first table in Item 7 above	As disclosed in first table in Item 7 above	As disclosed in first table in Item 7 above
TOTAL ESTIMATED INITIAL INVESTMENT	**$93,100 to $308,000**			

Explanatory Notes

Note 1: Development Fee. The chart provides an estimate of your initial investment to open your first Studio assuming you sign a Development Agreement to develop 2 (low estimate) or 5 (high estimate) Studios. When you sign a Development Agreement to open multiple Studios, you must pay an initial franchise fee of $35,000 for the first Studio plus a development fee equal to $5,000 multiplied by the number of additional Studios to be developed, in a geographic territory reserved for your development of Studios. We apply the nonrefundable development fee paid toward the discounted initial franchise fee for the second and each additional Studio to be developed, the balance of which is paid at a later date. The low estimate assumes you will enter into a Development Agreement requiring you to develop 2 Studios and the high estimate assumes you will enter into a Development Agreement to develop 5 Studios.

Note 2: Other Fees. You will also incur the estimated initial investment for the second and each subsequent Studio developed, plus the balance due on the discounted initial franchise fee.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

You must establish, maintain, and operate your Studio in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, technical bulletins or other written or electronic materials (together, "**Operations Manual**"), which we may modify. We provide you with our mandatory standards and specifications for the merchandise and workout services offered through your Studio and for the Franchised Location, build-out, signs, fixtures, equipment, furnishings, employee attire, supplies, forms, insurance, advertising material, music licenses and other items used at or sold through your Studio.

Lease and Build-Out

We must approve any lease or, if applicable, any purchase agreement for your Studio before you sign any of these agreements. If you are leasing, a copy of the proposed lease must be delivered to us at least 15 days before signing. The lease must contain certain provisions which grant us certain rights, as your franchisor, including:

(i) The lease must give the landlord's consent to your use of the Marks and signage which we initially prescribe for the Studio;

(ii) We must have the right to enter the premises to make any modification necessary to protect the Marks and the Licensed Methods;

(iii) We or our designee, without the landlord's approval, must have the option to assume your occupancy rights under the existing lease terms and the right to assign the lease or sublet the premises, for all or part of the lease term, if you are in default under the lease or the Franchise Agreement or if the Franchise Agreement is terminated or not renewed;

(iv) Your landlord must agree to provide us with a copy of any notices of default sent to you and an opportunity to cure any default; and

(v) The lease must contain a use provision which is acceptable to us.

You must, at your expense, construct, convert, design, decorate and furnish the Franchised Location in accordance with our plans and specifications, and with the assistance of contractors, architects and suppliers designated or approved by us. We require that you obtain our written consent to any proposed Franchised Location and to any improvements to the Studio before construction begins.

Website and Intranet

We will provide you with a webpage that is linked to our website and which conforms to our standards and specifications. You are responsible for creating and maintaining website content for your linked webpage. You must purchase website maintenance services from third parties designated by us. We derive revenue from your purchase of this service through us. You pay us an ongoing website maintenance and intranet fee, currently $125 per month, subject to increase if our costs increase. See Item 6. The website and any other electronic advertising must comply with our policies and rules regarding development, maintenance, use and content. We reserve the right to charge you a fee for access to electronic or other communication or technology services we provide or make available to you.

POS System and Computer System

You must purchase or lease office computer equipment and software (the office computer equipment and software is referred to as "**Computer System**") which meets our standards and specifications. You must also purchase a point-of-sale system pre-loaded with designated software ("**POS System**"). As of the date of this Disclosure Document, the POS System is a designated cloud-based system with customized software for class scheduling, customer management, and text and email communications. There is one approved supplier of the POS System as of the date of this Disclosure Document. We reserve the right to develop and own proprietary software, license it to you, and to derive revenue from license and maintenance fees. You must participate in all credit card, gift card, electronic data capture and other similar programs that we deem mandatory. We reserve the right to change our designated suppliers and our standards and specifications for the Computer System and POS System.

Insurance

You must procure, maintain and provide evidence of (i) commercial general liability insurance for the Franchised Location and its operations with a limit of not less than $2,000,000 combined single limit, or such greater limit as may be required as part of any lease agreement for the Franchised Location; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) fitness professional liability insurance of not less than $1,000,000; (iv) employee theft coverage of $25,000; (v) cyber liability coverage; and (vi) all-risk personal property insurance in an amount equal to at least one hundred percent (100%) of the replacement costs of the contents and tenant improvements located at the NEIGHBORHOOD BARRE Studio. All of the required policies of insurance must name us as an additional insured and must provide for a 30 day advance written notice to us of cancellation. Upon 60 days prior written notice to you, we reserve the right to require you to change the type of insurance you are required to maintain, and to revise the required coverage limits.

Purchases from Designated or Approved Sources

As discussed above, you must purchase through us website development and maintenance services. You must also purchase through us branded exercise balls, mats, bands, and certain other branded items. We and our approved suppliers are the only currently approved suppliers of weights, exercise equipment, clothing, merchandise, and other items for resale in the Studio. We charge an administrative fee of 5% of the amount of all purchases you make through us. We reserve the right to change the administrative fee. You must maintain minimum inventory levels of exercise equipment and merchandise, clothing, and other items designated by us. As of the date of this Disclosure Document, none of our officers own an interest in any approved or designated third party supplier, other than NBL.

You will purchase or lease the rest of your merchandise, equipment, supplies, and services used, sold or leased through your Studio only from suppliers designated or approved by us in advance. We reserve the right to designate a single approved supplier for certain merchandise, equipment, supplies, and services. If there is no designated or approved supplier for a particular item, you may purchase, lease, sell or use merchandise, equipment, supplies, and services that meet our standards and specifications from any source approved by us. After you pay your initial franchise fee, we give you a list of our approved suppliers, the standards and specifications for exercise instruction, equipment, supplies, and merchandise to be used or sold by you through your NEIGHBORHOOD BARRE Studio, as well as our criteria for approving a supplier, if any.

We sell merchandise, equipment, supplies and services to franchisees and derive revenue from such sales, including through an administrative fee described above.]In the fiscal year ended December 31, 2022, we had revenues from franchisee purchases of $82,255, which was 16.3% of our total revenues of $506,436. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 63% to 78% of the total cost to establish a NEIGHBORHOOD BARRE Studio and approximately 6% to 10% of the total cost of operating a Studio after that time.

If you want to purchase or lease any merchandise, equipment, supplies, or services we have not approved or through a supplier who we have not previously approved, you must notify us in writing and obtain our approval in advance. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. We do not make our criteria for approving suppliers available to franchisees. You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or suppliers meet our specifications. We will not unreasonably withhold our approval of a supplier of your choosing if the supplier meets our published standards and specification. If we accept or

reject your requested new supplier, we will notify you of our approval or disapproval within 30 days of receipt of your written request. We reserve the right to revoke approval of a supplier and change the published standards regarding any approved merchandise, equipment, supplies, or services used, offered for sale or leased by franchisees upon 30 days written notice to all franchisees and all approved suppliers.

We do not provide material benefits, such as renewal or granting additional franchises to franchisees based on your use of designated or approved sources or suppliers.

Advertising and Marketing

All marketing and promotion of your NEIGHBORHOOD BARRE Studio must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials that have not been prepared or previously approved by us. Your Studio must participate in promotions we institute from time to time for all NEIGHBORHOOD BARRE Studios or all Studios within a particular market area. We retain the right to develop and control all advertising using our Marks on the Internet or other electronic advertising. We reserve the right, with 30 days prior written notice to you, to require that you participate in electronic advertising.

Purchasing Arrangements

We have no purchasing or distribution cooperatives at the current time, although we may establish pricing programs with certain suppliers based on volumes purchased. Periodically, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees. We can require that you participate in these arrangements and programs. We currently have discount buying arrangements or purchasing and pricing arrangements with suppliers of the equipment required for outfitting the Franchised Location, merchandise and apparel, and the website developer. However, you should not rely on the continued availability of any particular discount buying, pricing or distribution arrangement, or the availability of any particular product or brand in deciding whether to purchase the franchise. We and our affiliates have the right to receive payments from suppliers on account of their dealings with you and other franchisees, including your purchase of the above-described items. During the fiscal year ending December 31, 2022, we did not receive any payments from suppliers as a result of franchisee purchases. We retain the credit of any volume discounts, rebates or incentives received as a result of your purchases.

ITEM 9

FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the Franchise Agreement and Development Agreement. This will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/ lease	Sections 5.1 and 5.2 of Franchise Agreement; Sections 3.3 and 3.5 of Development Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.9 and 5.10 of Franchise Agreement	Items 5, 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 5.3, 5.4, 5.5, 5.7 and 5.9 of Franchise Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Article 6 of Franchise Agreement	Item 11

Obligation	Section in Agreement	Item in Disclosure Document
e. Opening	Sections 5.8 and 7.1 of Franchise Agreement; Section 3.1 of Development Agreement	Item 11
f. Fees	Sections 4.1, 5.6, 5.9, 6.1, 9.1, 9.2, 14.4, 14.6, 15.4, 16.4, 17.2, 18.3, 20.3, 25.6, 25.7 and Articles 11, 12, 13 and 24 of Franchise Agreement; Article 2 of Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Articles 8 and 14 of Franchise Agreement	Items 11 and 14
h. Trademarks and proprietary information	Article 15 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/ services offered	Sections 10.1.d and e, 14.4, 14.5 and 14.6 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	Sections 1.1, 1.2 and 3.1 of Development Agreement	Item 12
l. On-going product/service purchases	Sections 5.5, 5.6, 5.9 and 10.1 and Article 11 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 10.1 and 18.3 of Franchise Agreement	Item 8
n. Insurance	Article 22 of Franchise Agreement	Item 8
o. Advertising	Section 9.1.b and Article 13 of Franchise Agreement	Items 5, 6, 7 and 11
p. Indemnification	Article 20.3 of Franchise Agreement	Item 6
q. Owner's participation/ management/staffing	Article 10.1 of Franchise Agreement	Items 11 and 15
r. Records and reports	Article 16 of Franchise Agreement	Items 6 and 11
s. Inspections/audits	Sections 14.3 and 16.4 of Franchise Agreement	Item 6
t. Transfer	Article 17 of Franchise Agreement	Item 17; Exhibit L
u. Renewal	Article 18 of Franchise Agreement	Item 17; Exhibit L
v. Post-termination obligations	Section 19.4 of Franchise Agreement; Section 4.4 of Development Agreement	Item 17
w. Non-competition covenants	Article 21 of Franchise Agreement; Article 7 of Development Agreement	Item 17; Exhibit I-1 and Exhibit I-2
x. Dispute resolution	Article 23 of Franchise Agreement	Item 17

ITEM 10

FINANCING

We currently offer a buying program through which franchisees purchase equipment and merchandise or other items from us. Payments are made to us by a date set by us, which is before the due date imposed by the supplier of the particular inventory item. Late payments accrue interest at 1.5% per month plus a $50 late payment charge. See Item 6. There is no penalty for prepayment of amounts due under the buying program.

No later than 30 days before the opening of your Studio, you must sign and deliver to us a credit card payment authorization, authorizing us to charge your credit card for amounts owed to us under the Franchise Agreement, or related agreements including, amounts owed for the purchase of merchandise, products or equipment from or through us, Royalties, Advertising Contributions, Website Maintenance and Intranet Fees, interest and late charges and other fees and charges. You will at all times during the term of the Franchise Agreement maintain a minimum available credit limit on this credit card in a dollar amount that we designate based upon the dollar volume of purchases of inventory, outstanding balance and payment history and other factors we determine. The failure to maintain a valid credit card available at all times for charging by us and with an available designated credit limit, shall constitute a default under the Franchise Agreement. You hereby authorize us to contact the issuer of the credit card to obtain information relating to the validity of the credit card and the credit limit.

Except as described above, neither we nor any agent or affiliate offer direct or indirect financing to you. We do not guarantee your note, lease or other obligations. We do not receive any benefit, monetary or otherwise, from any lender.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, BSL is not required to provide you with any assistance.

Pre-Opening Assistance

Before you open your Studio, we or our designee will:

1. Designate your Protected Territory. (Section 3.2 of Franchise Agreement)

2. Assist you in locating the site for your Studio by providing you with written criteria for an acceptable site and by approving or disapproving your proposed site. Site selection assistance is also discussed below in this Item 11. You must locate the site within 90 days after signing the Franchise Agreement. We must approve of the site. We typically approve or disapprove a proposed site within 15 days of our receipt from you of a completed site information package. If a site is not agreed upon within 180 days after signing the Franchise Agreement or any permitted extension of time to select a site, we may terminate the Franchise Agreement. (Sections 5.1 and 7.1.b of Franchise Agreement)

3. Furnish you with our available standards and specifications for your Studio. We must approve of your construction plans and specifications before construction begins. You are responsible for the cost of any architectural designs and drawings that you obtain. (Sections 5.3, 5.4, 5.5 and 7.1.c of Franchise Agreement)

4. Before the Studio's opening, we furnish an initial training program described below in this Item 11. (Sections 6.1, 6.2, 6.3 and 6.4 of Franchise Agreement)

5. Provide you with a comprehensive onboarding plan, including information and advice about approved suppliers of the POS System, Computer System, fixtures, supplies, equipment, and materials used in and merchandise sold through your NEIGHBORHOOD BARRE Studio (Section 7.1.d of Franchise Agreement)

6. If you are opening your first Studio, provide up to two days of opening assistance on site at your Studio within six months of the date your Studio opens. (Section 7.1.f of Franchise Agreement)

7. Loan you one hard copy or provide electronic access to our confidential and proprietary Operations Manual, covering the specifications, standards, and operating procedures that we require and information about your obligations. (Section 8.1 of Franchise Agreement)

8. Provide you with assistance and advice about how to conduct your grand opening marketing campaign. (Section 7.1.g of Franchise Agreement)

9. Provide you with an opening inventory of exercise equipment and branded merchandise, interior signs, a music license, and branded items to give away at your grand opening. We will ship these items to you directly with instructions on how to use them. (Section 7.1.d of Franchise Agreement)

Continuing Assistance

During the operation of your Studio, we or our designee will:

1. Provide, at your reasonable request, consultation by telephone or electronic mail regarding the continued operation and management of your NEIGHBORHOOD BARRE Studio and advice regarding customer instruction and training techniques, ancillary customer services, merchandising, customer relations, customer marketing, and sales. (Section 9.1.a of Franchise Agreement)

2. Give you access to advertising and promotional materials as we may develop, the cost of which may be passed on to you at our option and, at your reasonable request, assist you via telephone or electronic mail in determining the media, timing and placement for your ongoing marketing program. (Section 9.1.b of Franchise Agreement)

3. Provide you with on-going updates of information and programs regarding class instruction techniques, marketing and promotional programs, the competition, the industry, the NEIGHBORHOOD BARRE concept and related Licensed Methods, including information about special or new products and services which we develop and make available to franchisees. (Section 9.1.c of Franchise Agreement)

4. Train replacement or additional Principal Managers and certify instructors during the term of the Franchise Agreement. We will charge a tuition or fee, commensurate with our current published prices, for training and instructor certification, payable in advance. You must pay all travel and living expenses for your personnel during the training programs. The availability of the training programs depends on space and timing considerations and prior commitments to new NEIGHBORHOOD BARRE franchisees. (Section 9.1.d of Franchise Agreement)

5. Periodically offer and require you to attend any continuing education courses we may develop regarding new class routines, instruction techniques, equipment, safety procedures and products and services. (Section 9.1.e of Franchise Agreement)

6. Make our employees or designated agents available to you at your Studio for advice and assistance regarding the on-going operation of the Studio. If you request additional assistance and we agree to provide it, we may charge you for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with the assistance, plus a fee based on the time spent by each employee on your behalf. We charge you our then current hourly or daily rates at the time we assist you. (Section 9.2 of Franchise Agreement)

Advertising and Promotion

BSL or our designee and you will decide on the grand opening marketing campaign, to be conducted during the first six months after your Studio opens for business. The grand opening marketing

campaign will cost between $1,500 and $3,500. The minimum expenditure requirement for the campaign will be determined by us and will be included in an Addendum to your Franchise Agreement when you sign your Franchise Agreement. Within 30 days of the completion of your grand opening marketing campaign, you will submit to us a summary of your grand opening marketing expenditures.

The Advertising Contribution of 1% of Gross Sales is due to us along with your Royalty payment, payable monthly. We deposit the Advertising Contributions from all Studios in a single separate bank, commercial or savings account ("**Advertising Fund**"). The Advertising Fund is utilized for marketing and advertising activities to promote Studios. All company and affiliate-owned Studios will pay into the Advertising Fund on an equal percentage basis with all franchised Studios. If you request it in writing, we will send you an annual unaudited financial statement for the Advertising Fund that indicates how the Advertising Fund has been spent during the previous year. Because we will not have the Advertising Fund audited, audited financial statements will not be available to franchisees.

We will administer the Advertising Fund in our sole discretion. The Advertising Fund may be used for the creation, production and placement of commercial advertising, agency costs and commissions, creation and production of video, audio, and written advertisements, including direct mail, radio and other media advertising, administering multi-regional advertising programs, and employing advertising agencies and in-house staff assistance, gift card and other customer loyalty programs, website and other electronic advertising, supporting public relations, market research and other advertising and marketing activities for Studios. The Advertising Fund's money is not spent on soliciting franchisees.

We may reimburse ourselves and our affiliates from the Advertising Fund for administrative costs, salaries and overhead expenses related to the administration of the Advertising Fund and its marketing programs, including conducting market research, preparing material and collecting and accounting for Advertising Fund contributions. In any fiscal year, the Advertising Fund may spend an amount greater or less than the aggregate contribution to the Advertising Fund in that year. The Advertising Fund may borrow from us or other lenders to cover deficits or cause each Advertising Fund to invest any surplus for future use. Any amounts remaining in the Advertising Fund at the end of each year accrue and we apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the Advertising Fund will benefit you or any other franchisee directly or on a pro rata basis. We are not obligated to spend any amount from the Advertising Fund in your Protected Territory. The Advertising Fund is not a trust fund, and we have no fiduciary obligation to you or other franchisees in regard to our administration of the Advertising Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account.

We may use outside advertising agencies and personnel and in-house personnel to create local and regional advertising, including ad slicks, radio spots, direct mail and other marketing pieces and programs. We may advertise on a regional basis in the future. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is primarily your responsibility.

In addition to the Advertising Fund, we currently offer an optional service that franchisees may choose to purchase through which we, through our designated vendors, provide to franchisees 10 customized social media advertising posts that franchisees can use to advertise their Studios. As of the date of this Disclosure Document, this optional service is $30 monthly. Participation in this optional service does not reduce your other obligations relating to the Advertising Fund or Co-Op (as defined below), however, such participation will count toward your local advertising expenditures.

In our 2022 fiscal year, we spent 100% of the Advertising Fund on Internet marketing including digital ads on social media, newsletters, the "NB blog" and enhancements to the website. We did not spend

any of the Advertising Fund on soliciting franchisees.

Local Advertising

You are also required to spend $250 a month on average each calendar quarter, on local advertising. You must submit quarterly reports to us accounting for the use of these funds. You may create your own advertising and promotional materials; however, all local advertising and promotion by you must be in a media and format that we approve, be conducted in a dignified manner and conform to our standards. You may not use any advertising or promotional plans or materials, including electronic or Internet advertising, unless and until you have first received written approval from us.

Regional Advertising Co-op

We may, on 30 days written notice to you, create a regional advertising Co-op ("**Co-op**") in the market area where you are located, at which time you must become a member of the Co-op. We have the right to determine the geographic scope of the Co-op. We have the right to administer the Co-op, but may permit franchisees or a third party designated by us to administer the Co-op. In our sole discretion, we may require that all or a uniform designated portion of the local advertising commitment of all Studios, in your market area be contributed to the Co-op. We may designate that these funds be contributed on a regular basis or intermittently for specific programs selected by the majority of the Co-op members and approved in advance by us. In our sole discretion, we may contribute back to the Co-op for marketing and advertising programs all or a portion of applicable Advertising Contribution payments received by us from franchisees in the market area of the Co-op. We may make these funds available on a regular basis or intermittently for programs selected by a majority of members and approved by us in advance. Therefore, your total local advertising commitment and Advertising Contribution may be paid and used at a regional level, in our sole determination. You receive credit for payments into the Co-op toward your local advertising commitment. If you are contractually bound by your lease to spend a required amount on advertising, the Co-op must factor this in when considering your dues and assessments to be paid to the Co-op. If we form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues, to the extent we approve them. If you fail to participate in the Co-op or pay any Co-op dues, you breach the Franchise Agreement.

We must approve all advertising materials before they are used by a Co-op or furnished to its members. Each Co-op must prepare unaudited annual financial statements and send them to you if you request them. We can form, change, and dissolve the Co-op. Each Co-op will operate under a written document which franchisees can view. Either we or the Co-op may create the Co-op's advertising, but advertising created by the Co-op would be required to have our written approval before use.

Operations Manual

Attached to this Disclosure Document as Exhibit G is the table of contents of our Operations Manual. There are approximately 290 pages in our Operations Manual.

Franchise System Advisory Council

As of the date of this Disclosure Document, we do not sponsor a franchise system advisory council ("**Advisory Council**"). We retain the authority to form, change and dissolve an Advisory Council.

POS System and Computer System

You must purchase or lease a Computer System for your office which meets our standards and specifications, including the performance of designated office administration functions. The Computer System includes an Apple iMac, Apple MacBook Pro or other device approved by us, and a multi-function inkjet printer, scanner and copier.

You must purchase and use a POS System and other technology systems that meet our standards and specifications. The POS System is loaded with customized Xplor Technologies software. The software allows you to schedule classes, set-up appointments and recurring appointments, record the sale of membership packages and track their use, record customer contact information, communicate with your customers via email and text messaging, record and track payment plans, track instructor schedules and run detailed reports including payroll and sales tax. You must use the credit card processing system that we designate and you may choose to purchase optional hardware to read credit cards that is compatible with this system. You must maintain and update the POS System and the Computer System from time to time as we may specifiy; we have no obligation to provide maintenance or upgrades to these systems.

The cost to purchase the Computer System ranges from $1,000 to $2,000. See Item 7. As of the date of this Disclosure Document, the monthly fee for the POS System through Xplor Technologies is $382. This amount is subject to increase.

The POS System and Computer System used must allow you to record sales in a format designated by us and provide you with information necessary to prepare financial statements and other reports in accordance with our standards and specifications. The POS System, Computer System, and other technology systems must be installed, configured, and integrated in accordance with our standards and specifications.

We require you to join and pay for a high-speed electronic network connection service which meets our standards and specifications to facilitate communication between you and us and among all NEIGHBORHOOD BARRE franchisees. We have the right to independently access all Computer System and POS System information. We have no contractual limitation on our right to receive information through the Computer System or the POS System. We may revise our standards and specifications. We may require you to upgrade and update your POS System and Computer System, including the software, and other technology systems, during the term of your Franchise Agreement. No contractual limitation exists on the frequency or cost of this obligation. We and third parties may (i) develop additional proprietary software or other technology systems for use in NEIGHBORHOOD BARRE Studios and charge you a license or other fee to license or purchase such software or other technology; (ii) derive revenue from computer software or other technology systems maintenance and upgrade fees, in the event other proprietary software or other technology systems are developed or required to be used in your Studio; and (iii) require that you participate, at your cost, in all credit card or other payment programs, in all electronic data capture, maintenance and warranty, electronic communication services or other similar programs that we deem mandatory.

Site Selection Assistance

You must select and acquire the location for your NEIGHBORHOOD BARRE Studio. We do not typically own Studio locations or lease them to franchisees. When you have selected a location for your Studio, you must submit information to us regarding the location so that we may accept or reject the site. Our assistance with the selection and approval of a location includes criteria for a satisfactory Studio location and a determination as to whether the location fulfills the requisite criteria. The following factors are considered when we review a proposed site: location character, proximity to major highways and roads,

income levels, demographics, competition, visibility, and parking access. If we disapprove of any proposed site, we will grant you an additional reasonable time to obtain approval for a site. If you do not find an acceptable site within 180 days of signing the Franchise Agreement, we may terminate the Franchise Agreement. Our approval of a proposed location and designation of a Protected Territory for the Studio will apply to all Studios developed under a Development Agreement and our then-current standards for sites and territories will apply to each Studio.

Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your Studio opens will be approximately 4 to 6 months. The factors which may affect this time period are your ability to locate a site, secure financing, and obtain a lease, as well as the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment, recruiting and hiring, and completing your training. You must open your NEIGHBORHOOD BARRE Studio within 9 months after you sign the Franchise Agreement. We may extend the time for opening your Studio if factors beyond your reasonable control prevent you from meeting this deadline, so long as you have made reasonable, continuing efforts to meet this opening schedule. You must apply for this extension before the development deadline passes.

If you sign a Development Agreement, you must meet the development schedule set forth in the Development Agreement.

Training Programs

We will provide an initial training program which will be conducted in Knoxville, Tennessee or at an alternative location designated by us. We have the right to determine if the training will be held by webinar or another remote method if circumstances warrant in our sole discretion. We offer you the initial training program within a reasonable amount of time after you sign the Franchise Agreement. You should plan to complete the initial training program 60 days before opening your Studio. We schedule our initial training program on an as-needed basis. The initial training program consists of two parts, one for a Principal Manager and one for Certified Instructors. The Principal Manager training consists of 12 webinars conducted online weekly or bi-weekly, plus a variety of homework assignments to perform in your Studio. The Certified Instructor training consists of 4 online webinars, one each week, and up to 4 days of in-person training at our designated training location. We provide you with written manuals for use in conjunction with each part of the training. We may waive all or a portion of the training program, if you or your Principal Manager have sufficient prior experience or training, in our sole determination.

Up to six individuals are eligible to participate in our initial training program without charge of a tuition or fee. You must pay salaries and all transportation and living expenses which are incurred by your personnel in connection with attendance at the training program at our headquarters in Knoxville, Tennessee. At least one individual who will be responsible for the daily management of the Studio must complete both parts of the initial training program to our satisfaction. We will make the initial training program available to replacement or additional Principal Managers and to new instructors during the term of the Franchise Agreement. We charge a tuition or fee, commensurate with our then current published prices, for this training, payable in advance and you must pay all travel and living expenses which are incurred by your personnel when they attend our training program. The availability of the training program to replacement or additional Principal Managers and instructors will be subject to prior commitments to new franchisees and is scheduled on a space available basis. To maintain a person's Certified Instructor status, every 3 years he/she must attend and complete the certification course offered to new franchisees at a designated training site to our satisfaction. Our then current training fee will apply and you will also pay all travel and living expenses incurred by your employees.

We also provide up to 2 days of follow-up operational assistance at your Studio within six months of the date that you open your business, unless you are opening a third or subsequent Studio and we determine you or your Principal Manager has sufficient prior experience.

We may occasionally present seminars, conventions, continuing development programs or conduct meetings for your benefit. You or your Principal Manager or Certified Instructors must attend certain seminars, conventions, programs or meetings offered by us during the term of your Franchise Agreement, when we announce them as being mandatory. We will give you at least 30 days written notice before any seminar, convention, program or meeting at which we will require attendance. We will not require that you attend, at your expense, any mandatory national training program more than once a year. You or your employees may be required to complete on-line training seminars up to 2 times each year. We may also require you or your Principal Manager or Certified Instructors to attend or participate in, at your expense, local or regional seminars or meetings up to 1 time per year. We may charge a tuition or fee for training. You will also be responsible for all travel and living expenses which are associated with attendance at such programs.

Instructors for our initial training program include: Katy Richardson, our President since 2014 and the founder of the NEIGHBORHOOD BARRE Studios, Stephanie Arlington, Head Master Trainer, Anna Perry, Master Trainer and Head of Content Creation, Lynn Tweedie, Master Trainer, Amber Monroe, Master Trainer, and Jessie Helton, Master Trainer. Stephanie Arlington started taking classes at NEIGHBORHOOD BARRE Studios in 2014, became an instructor in 2017 and in 2018, began her role as our Training Director. Lynn Tweedie became an instructor for us in 2015 and was promoted to Corporate Trainer in 2018. Ms. Tweedie is also a franchisee in Chattanooga, Tennessee. Amber Monroe has been an instructor at NEIGHBORHOOD BARRE Studios for five years. Jessie Helton became an instructor in 2018 and after relocating to Arkansas for her career, became one of our Master Trainers and virtual instructors. Katy Richardson is our founder and Anna Perry is our Head of Content Creation and both are discussed in Item 2.

Training will be conducted after you have signed a Franchise Agreement. We currently provide the following initial training to franchisees:

MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location[1]
Site Selection	1	0	Knoxville, Tennessee
Personnel	2	1	Knoxville, Tennessee
Studio Operations	10	14	Knoxville, Tennessee
Equipment Functionality	1	2	Knoxville, Tennessee
Administration and Accounting	2	1	Knoxville, Tennessee
Suppliers	1	1	Knoxville, Tennessee
POS System	4	5	Knoxville, Tennessee
Review of Electronic Operations Manual	3	0	Knoxville, Tennessee
Other	5	5	Knoxville, Tennessee
Total Management Training	**29**	**29**	

CERTIFIED INSTRUCTOR TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location[1]
Overview of Choreography	4	1	Knoxville, Tennessee
Breakdown of Choreography	10	4	Knoxville, Tennessee
Team Teach	1	8	Knoxville, Tennessee
Anatomy	4	1	Knoxville, Tennessee
Correcting Form	3	2	Knoxville, Tennessee
Other	3	2	Knoxville, Tennessee
Total Certified Instructor Training	**25**	**18**	

1 We may designate an alternative location.

ITEM 12

TERRITORY

You may operate your Studio and use the Marks and the Licensed Methods only at a specific location, which is referred to as the "**Franchised Location**" in the Franchise Agreement. You may not operate another NEIGHBORHOOD BARRE Studio at any site other than the Franchised Location without first obtaining our written consent. We base our approval of your proposed Franchised Location on a variety of factors including the visibility of the location and demographics of the proposed Franchised Location. If you execute your Franchise Agreement before you select and we approve a location for your NEIGHBORHOOD BARRE Studio, then you must choose and acquire a location for your Studio within a "**Designated Area**," listed in Exhibit I to the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will be granted a protected territory, which will consist of a geographic area around your Franchised Location, within which we will not operate or grant any franchises for the operation of other NEIGHBORHOOD BARRE Studios, subject to our reservation of rights described below. The "**Protected Territory**" for your Studio will generally be a 3-mile radius from your Studio, although the radius may be more or less, but no less than one mile, depending on the demographics (e.g., population density in your area). Continuation of your Protected Territory does not depend on the achievement of any specified sales volume, market penetration or other contingency. You may not relocate your Franchised Location or change your Protected Territory without our written consent. An exhibit to your Franchise Agreement specifies your Protected Territory.

The designation of your Franchised Location, Protected Territory or, if applicable, Development Area, described below, does not grant you the exclusive right to any particular market or customers. You may advertise your NEIGHBORHOOD BARRE Studio services and merchandise anywhere and you may serve all persons who enter your Studio. Other NEIGHBORHOOD BARRE franchisees have the same rights to conduct advertising anywhere and provide services and sell merchandise to all persons who enter their Studios. You may only make sales of approved merchandise and provide approved services at the Franchised Location, however, you may elect to offer live-stream classes online to customers outside of your Protected Territory. The ability to offer live-stream classes from your Studio is available as of the

date of this Disclosure Document through our approved POS System vendor. There is currently no cost associated with offering livestream services. In addition, if you sell on-demand services, we will credit 60% of the revenue to your Technology Fee.

If you operate a Studio, with our prior written consent, you may provide certain services and sell limited amounts of approved merchandise within your Protected Territory in accordance with the policies and procedures that we may promulgate from time to time. You may not accept orders or sell approved services or merchandise through alternative channels of distribution, such as the Internet (except with our prior written consent and in accordance with our policies and procedures), catalog sales, telemarketing or other direct marketing, within or outside of your Protected Territory.

You have no option, right of first refusal or similar contractual right to acquire additional NEIGHBORHOOD BARRE Studio franchises within or adjacent to your Protected Territory, but we may grant you the right to acquire additional franchises by execution of the Development Agreement.

Under the terms of the Development Agreement, we grant to you the right to establish, according to a schedule, a minimum number of NEIGHBORHOOD BARRE Studios within a larger geographic territory (the "**Development Area**"). A Development Area is usually defined by political boundaries such as a city, county or state limits or by other reasonable boundaries. The number of Studios to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, other demographics and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. Our approval of a proposed location and designation of a Protected Territory for the Studio will apply to all Studios developed under a Development Agreement and our then-current standards for sites and territories will apply to each Studio.

Subject to our retention of the rights within the Development Area described in the last paragraph of this Item 12, we may not operate or grant any other person or entity the right to establish NEIGHBORHOOD BARRE Studios within the Development Area for so long as the Development Agreement is in effect. The continuation of your right to your Development Area during the term of the Development Agreement is dependent on meeting the Development Schedule described in the Development Agreement.

We and our affiliates and successors retain the rights, among others, without compensation to you: (1) to use and to license others to use, the Marks and Licensed Methods in connection with the operation of a NEIGHBORHOOD BARRE Studio, at any location, other than in your Protected Territory or Development Area, as applicable; (2) to use the Marks at any location within and outside of the Protected Territory and, if applicable, Development Area to promote and market NEIGHBORHOOD BARRE Studios, and related services and merchandise, and to identify, offer and sell products and services through alternative channels of distribution other than NEIGHBORHOOD BARRE Studios, including, but not limited to, the Internet, other electronic communications methods, catalog sales, telemarketing and other direct marketing sales, mail order, retail store display and wholesale; (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to or the same as those which you sell, whether in alternative channels of distribution, such as the Internet, other electronic communications methods, catalog sales, telemarketing and other direct marketing sales, mail order, retail store display and wholesale, or in connection with the operation of businesses which sell exercise/fitness conditioning classes, or merchandise and equipment, which businesses are the same as, or similar to, or different from NEIGHBORHOOD BARRE Studios, at any location, and on any terms and conditions as we determine; and (4) to engage in any other activities not expressly prohibited by the Franchise Agreement, and Development Agreement, as applicable. We have no present plans to establish other related franchises

or company-owned businesses selling similar products or services under a different name or trademark, although we reserve the right to do so in the future.

ITEM 13

TRADEMARKS

We license to you the right to use the Marks, including the trademark "NEIGHBORHOOD BARRE" and other trademarks, service marks and commercial symbols that we may authorize.

We have registered the following trademark on the Principal Register of the United States Patent and Trademark Office:

Mark	Design	Registration Date	Registration No.
NEIGHBORHOOD BARRE	N/A	June 19, 2012	4,162,037
nb | Neighborhood Barre and design	nb | NEIGHBORHOOD barre	April 14, 2020	6,032,981

All required affidavits of use and renewals of registration have been filed.

You must use the service mark "NEIGHBORHOOD BARRE" as the principal identification of your Studio. You must also, however, identify yourself as the independent owner of the Studio, in the manner as we may require. You may not use any of the Marks as part of any corporate or trade name, nor may you use any of the Marks to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. Without our prior consent, you may not use or register any of the Marks as part of an electronic mail address or domain name or use any of the Marks on any sites on the Internet or World Wide Web, or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form. We will establish and maintain the standards and specifications for your use of the Marks on the Internet.

You will be required to modify or discontinue your use of a Mark if we require modification or discontinuance of it, at your own expense.

No agreements limit our right to use or license the use of the Marks.

We do not know of any superior or prior rights or infringing uses that could materially affect your use of the marks in any state.

Any apparent infringement of or challenge to your use of any Mark should be brought to our attention immediately. The Franchise Agreement does not obligate us to protect you against claims of infringement or unfair competition with respect to your use of the Marks, but it is our policy to do so when, in the opinion of our counsel, your rights require protection. We pay all costs, including attorneys' fees and court costs, associated with any litigation we commence or defend on your behalf to protect the Marks and your right to use them. You must cooperate with us in any litigation. You may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We have sole discretion to take any appropriate action. We and BSL have the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or copyright registrations which are material to the franchise. We consider our Operations Manuals and related materials, training materials, and our Licensed Methods as our proprietary and confidential property. They may be used by you only as described in the Franchise Agreement. We require that you maintain the confidentiality of our information and adopt reasonable procedures to prevent unauthorized disclosure of these secrets and information. Although we have not obtained a copyright registration, we own the copyright in our Operations Manuals, videos, advertising materials and other works.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to participate personally in the direct operation of your Studio. If you (or your managing partner or shareholder) do not participate in the day-to-day operation of the Studio, you will need to designate a manager ("**Principal Manager**") to be responsible for the direct on-premises supervision of the NEIGHBORHOOD BARRE Studio at all times during its hours of operation. If you are a corporation, limited liability company or partnership, we do not require that your Principal Manager own an equity interest in the entity. You or, if applicable, the Principal Manager, must successfully complete our mandatory initial training program for a NEIGHBORHOOD BARRE Studio if you are a corporation, limited liability company or partnership, your Principal Manager, and each of your officers, directors, shareholders or members (and, if you are an individual, immediate family members) must sign our standard Nondisclosure and Noncompetition Agreement, a copy of which is attached to this Disclosure Document as Exhibit I.

Other than the above, we make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners or members may be required to sign an agreement (Exhibit II to Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only those services and merchandise approved by us and may not use the Studio or the Franchised Location for any purposes other than the operation of a NEIGHBORHOOD BARRE Studio. With our prior written consent and in accordance with our policies and procedures: (i) you may, if you operate a Studio, provide promotional exercise classes and individual instruction services and sell limited, approved merchandise at approved events located within your Protected Territory and (ii) you may utilize an approved website to market and schedule approved services and market items to be provided or sold at your Studio. Otherwise, you may not sell merchandise or services off-premises or on the Internet or by other electronic communications methods, by mail order or through catalogs and, except with our prior written approval, you may not wholesale or otherwise sell merchandise to another person or business for resale.

You must sell all of the services and merchandise approved by us, unless we designate that the service or merchandise is optional and must refrain from selling any products or services we have not approved. You must comply with our standards and specifications for merchandise mix and inventory levels. We have the right to change or supplement the types of authorized merchandise and services, and there are no limits on our right to do so. Other than the above, there are no restrictions on goods or services offered by you or on the customers to whom you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise	Section 18.1	10 years
b. Renewal or extension of the term	Article 18	Term in then-current Franchise Agreement.
c. Requirements for franchisee to renew or extend	Sections 18.3 and 18.4	Remodel, pay fee, be in substantial compliance, sign new agreement and release. You may be asked to sign a contract with materially different terms and conditions than your original contract if you choose to renew.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 19.1 and 19.2	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined curable defaults	Sections 19.1 and 19.2	30 days for operational defaults, 10 days for monetary defaults and failure to obtain and maintain a letter of credit.
h. "Cause" defined non-curable defaults	Section 19.1	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy (may not be enforceable under federal bankruptcy law), assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks.
i. Franchisee's obligations on termination/ nonrenewal	Section 19.4	Pay outstanding amounts, de-identification of Studio, return of confidential information, cease use of Marks, client lists and information to us, covenant not to compete, transfer telephone number, remove Internet sites (see also r).
j. Assignment of contract by franchisor	Section 17.6	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 17.1	Includes transfer of Franchise Agreement, Studio or any change in ownership of franchisee entity.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Section 17.3	We have the right to approve all transfers, we may not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 17.2	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, franchisee signs general release and noncompetition covenant.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 17.4	We may match any offer.
o. Franchisor's option to purchase franchisee's business	Section 19.3	We may buy your Studio or a portion of the assets of the Studio upon termination or non-renewal.
p. Death or disability of franchisee	Section 17.7	Franchise must be assigned to approved buyer within 180 days.
q. Non-competition covenants during the term of the franchise	Section 21.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	Section 21.2	No competing business for 2 years within a 50 mile radius of your Franchised Location or any other Studio.
s. Modification of the agreement	Section 25.1	No modifications generally but Operations Manual subject to change.
t. Integration/merger clause	Section 25.2	Only terms of the Franchise Agreement and the representations in the most recent Disclosure Document provided by us in connection with the execution of the Franchise Agreement are binding (subject to state law). Notwithstanding the foregoing, nothing in the Franchise Agreement or any related agreement is intended to disclaim the express representations made in this Disclosure Document, is exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 23.1	All disputes except those based on enforcement of the Marks, enforcement of the covenants not to compete or any lease of real estate will be arbitrated.
v. Choice of forum	Sections 23.1 and 23.3	Arbitration and, for certain claims, litigation in Tennessee (subject to state law).
w. Choice of law	Sections 23.1 and 23.3	Tennessee law applies (subject to state law).
x. Security Interest	Article 24	We have a security interest in the Studio assets, on which we may foreclose if you fail to pay for items purchased through us or otherwise breach the Franchise Agreement.

This table lists certain important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this Disclosure Document.

Provision	Section in Development Agreement	Summary
a. Length of franchise	Section 5.1	Coincides with the Development Schedule, expiring with the opening of the last Studio.
b. Renewal or extension of the term	Not applicable	No right to renew.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable
d. Termination by franchisee	Section 5.2	You may terminate for any reason on 60 days' notice.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 5.3	We can terminate if you default on the Development Agreement or any of your Franchise Agreements and vice versa.
g. "Cause" defined curable defaults	Section 5.3	30 days' notice of breach of Development Agreement or Franchise Agreement.
h. "Cause" defined non-curable defaults	Section 5.3	Not applicable
i. Franchisee's obligations on termination/nonrenewal	Section 5.4	You remain bound to all Franchise Agreements (see also r).
j. Assignment of contract by franchisor	Section 6.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 6.2	Includes transfer of interest in Development Agreement, or in franchisee entity.
l. Franchisor approval of transfer by franchisee	Section 6.2	We or our designee have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Sections 6.2 and 6.3	Notice, transferee qualifies.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 6.4	We can match any offer.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	Section 6.2	Must assign to an approved buyer within 180 days.
q. Non-competition covenants during the term of the franchise	Section 7.1	You are bound to the same restrictive covenants in the Franchise Agreements.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	You are bound to the same restrictive covenants in the Franchise Agreements.
s. Modification of the agreement	Section 9.5	No modification except on signing of a written agreement.

Provision	Section in Development Agreement	Summary
t. Integration/merger clause	Section 9.6	Only terms of Development Agreement and, to the extent not inconsistent, terms of the Franchise Agreement and the representations in the most recent Disclosure Document provided by us, are binding. Notwithstanding the foregoing, nothing in the Development Agreement or any related agreement is intended to disclaim the express representations made in this Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 9.1	All disputes except those based on the Marks, enforcement of the covenants not to compete or any lease of real estate will be arbitrated.
v. Choice of forum	Section 9.1	Arbitration or, as applicable, litigation in Tennessee (subject to state law).
w. Choice of law	Section 9.1	Tennessee law applies (subject to state law).

ITEM 18

PUBLIC FIGURES

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the franchise or the endorsement or recommendation of the franchise by the public figure in advertisements. There are no public figures involved in our management.

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.

The chart below presents historic results of operations as reported by franchised NEIGHBORHOOD BARRE Studios.

Some NEIGHBORHOOD BARRE Studios have earned the amounts reported below. Your individual results may differ. There is no assurance that you will earn as much.

GROSS SALES OF FRANCHISED STUDIOS

The Studios included in the charts below represent all 18 of the NEIGHBORHOOD BARRE Studios that were in business as of December 31, 2022 and reported Gross Sales for each of the preceding 12 months. The chart below presents the actual average monthly Gross Sales of 18 franchised NEIGHBORHOOD BARRE Studios as reported to us by each Studio over a 12-month period.

Chart 1

2022 Gross Sales[1]	Results of 18 Franchised Studios In 2022
Average Gross Sales	$112,279
Highest Studio Gross Sales	$195,786
Lowest Studio Gross Sales	$32,281
Median Gross Sales	$114,062

Notes for Chart 1:

1 "Gross Sales" means the total revenue received by the Studio from the sale of services and products, including sales made away from the Studio, less taxes, discounts, and refunds.

Chart 2

	2022 Gross Sales[1]	Rent as a Percentage of Gross Sales[2]	Labor as a Percentage of Gross Sales[3]
Highest Studio Gross Sales	$195,786	17%	9%
Lowest Studio Gross Sales	$32,281	0%	43%
Average	$112,279	34%	20%
Median	$114,062	25%	19%

Notes for Chart 2:

1 "Gross Sales" means the total revenue received by the Studio from the sale of services and products, including sales made away from the Studio, less taxes, discounts, and refunds.

2 "Rent" means monthly rent payments, plus pass-through expenses from the landlord, utilities, repairs and maintenance of the premises.

3 "Labor" means payroll expenses, payroll taxes and benefits, if any. Note that most of the Studios in the chart have owners who also teach some classes themselves and those owners do not include compensation for themselves in the labor percentages expressed. Your labor percentages would probably be higher if you hired instructors to teach every class offered.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Katy Richardson at Barre Skinny, LLC, 4445 Kingston Pike, Knoxville, Tennessee 37919, (865) 692-1148, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2020, 2021, 2022[1]

Table 1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	10	13	+3
	2021	13	17	+4
	2022	17	22	+5
Company Owned	2020	2	2	0
	2021	2	2	0
	2022	2	2	0
Total Outlets	**2020**	**12**	**15**	**+3**
	2021	**15**	**19**	**+4**
	2022	**19**	**24**	**+5**

1 All numbers are as of December 31st of each year.

Table 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS 2020, 2021, 2022[1]

State	Year	Number of Transfers
Tennessee	2020	0
	2021	0
	2022	2
Totals	**2020**	**0**
	2021	**0**
	2022	**2**

1 All numbers are as of December 31st of each year.

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Table 3

STATUS OF FRANCHISED OUTLETS
FOR YEARS 2020, 2021, 2022[1]

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of Year
Alabama	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Florida	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Georgia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Illinois	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kentucky	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New York	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
North Carolina	2020	1	1	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Tennessee	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	**2020**	**10**	**3**	**0**	**0**	**0**	**0**	**13**
	2021	**13**	**4**	**0**	**0**	**0**	**0**	**17**
	2022	**17**	**5**	**0**	**0**	**0**	**0**	**22**

1 All numbers presented above are as of December 31st of each year.

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Table 4

STATUS OF COMPANY/AFFILIATE-OWNED OUTLETS
FOR YEARS 2020, 2021, 2022[1]

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
Tennessee	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Totals	**2020**	**2**	**0**	**0**	**0**	**0**	**2**
	2021	**2**	**0**	**0**	**0**	**0**	**2**
	2022	**2**	**0**	**0**	**0**	**0**	**2**

1 All numbers presented above are as of December 31st of each year.

Table 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Georgia	0	1	0
Iowa	1	0	0
North Carolina	0	1	0
Tennessee	0	0	1
Texas	1	1	0
TOTALS	**2**	**3**	**1**

A list of the names of all franchisees and the addresses and telephone numbers of their Studios are listed as Exhibit D to this Disclosure Document. A list of the name, current business address and telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a studio terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during fiscal year 2022 or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Exhibit E to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed confidentiality clauses with current or former franchisees restricting their ability to speak openly about their experience with us or the NEIGHBORHOOD BARRE franchise program.

In some instances in the future, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us or the NEIGHBORHOOD BARRE franchise program. You may wish to speak with current and former franchisees, but be aware that not all such franchisees may be able to communicate with you.

No independent franchisee organizations have asked to be included in this Disclosure Document. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the franchise system that have been created, sponsored or endorsed by us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document in Exhibit F is our audited financial statements for the years ended December 31, 2022, 2021 and 2020. Also attached in Exhibit F is our unaudited financial statements for the period ended June 30, 2023. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts:

Exhibit B	Franchise Agreement	
	Exhibit I	Addendum to Franchise Agreement
	Exhibit II	Guaranty and Assumption of Franchisee's Obligations
	Exhibit III	Statement of Ownership
	Exhibit IV	Permit, License and Construction Certificate
	Exhibit V	Authorization Agreement for Prearranged Payments
	Exhibit VI	Credit Card Payment Authorization
Exhibit C	Development Agreement	
Exhibit H	Nondisclosure and Noncompetition Agreement	
Exhibit I	Amendment to Franchise Agreement – Renewal	
Exhibit J	State Addenda to the Franchise Disclosure Document, Franchise Agreement, Development Agreement and other Agreements	
Exhibit K	Release	

ITEM 23

RECEIPTS

The last page of the Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of the Disclosure Document by you (one copy for you and one copy to be signed and returned to us).

EXHIBIT A
(TO DISCLOSURE DOCUMENT)

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205
(866) 275-2677

1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559
(866) 275-2677

Florida

Department of Agriculture and Consumer Services
Division of Consumer Services
Terry Lee Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
(850) 488-2221

Hawaii

Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

State of Michigan
Consumer Protection Division
Attention: Franchise
P.O. Box 30213
Lansing, MI 48909
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

New York State
Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

South Dakota Department of Labor and Regulation
Division of Insurance - Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator
Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

LIST OF AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Financial Protection and Innovation
California Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677

Hawaii

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910
(517) 334-6212

Minnesota

Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

New York

New York Secretary of State
99 Washington Avenue
Albany, NY 12231
(518) 473-2492

North Dakota

North Dakota Securities Commissioner
600 E. Boulevard Avenue
State Capitol, 5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

Oregon

Director of Oregon Department of Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, OR 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of Insurance
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371-9733

Washington

Securities Administrator
Washington State Department of Financial Institutions
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, WI 53703
(608) 261-9555

EXHIBIT B
(TO DISCLOSURE DOCUMENT)

BARRE SKINNY, LLC

FRANCHISE AGREEMENT

Franchisee:_____
Date:_____
Studio Location:_____

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III Statement of Ownership
IV Permit, License and Construction Certificate
V Authorization Agreement for Prearranged Payments
VI Credit Card Payment Authorization

BARRE SKINNY, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made this ____ day of _____, 20__, by and between BARRE SKINNY, LLC, a Tennessee limited liability company, located at 4445 Kingston Pike, Knoxville, TN, 37919 (the "**Franchisor**"), and _____, located at _____ (the "**Franchisee**"), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

1.1 The Franchisor has developed methods for establishing, operating and promoting studios ("**NEIGHBORHOOD BARRE Studios**" or "**Studios**") that offer classes that combine dance conditioning, pilates, and isometric techniques to individuals of all experience and fitness levels. Studios are established and operated under the trade name and service mark "NEIGHBORHOOD BARRE" and other logos, trademarks, service marks and commercial symbols (collectively, the "**Marks**") and use the Franchisor's distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, operational standards and specifications, and various other proprietary methods of doing business ("**Licensed Methods**").

1.2 The Franchisor grants the right to others to develop and operate NEIGHBORHOOD BARRE Studios, under the Marks and pursuant to the Licensed Methods.

1.3 The Franchisee desires to establish a NEIGHBORHOOD BARRE Studio at a location identified herein or to be later identified within a territory identified herein, and the Franchisor desires to grant the Franchisee the right to operate a NEIGHBORHOOD BARRE Studio in the territory under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1 **Grant of Franchise**. The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Marks and Licensed Methods in connection with the establishment and operation of the Studio. The Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2 **Scope of Franchise Operations**. The Franchisee agrees at all times to faithfully, honestly and diligently perform the Franchisee's obligations hereunder, and to continuously use best efforts to promote the Studio. The Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the Licensed Methods. The Franchisee's NEIGHBORHOOD BARRE Studio shall offer all services and merchandise as the Franchisor shall designate. With the prior written consent of the Franchisor and in accordance with the policies and procedures the Franchisor may promulgate from time to time, the Franchisee may: (i) provide promotional exercise classes and individual instruction services and sell limited, approved merchandise at approved events in the Protected Territory, defined below, and at the Franchised Location, defined below and (ii) utilize an approved website to market and schedule approved services and market items to be provided or sold at your Studio. The Franchisee shall not accept orders or make sales of approved services or merchandise through alternative channels of distribution including, without limitation, the Internet (except as described above in this Section 2.2), catalog sales, telemarketing or other direct marketing, within or outside of the Franchisee's Protected Territory.

3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS

3.1 Franchised Location. The Franchisee is granted the right and franchise to own and operate one NEIGHBORHOOD BARRE Studio located within the Protected Territory (the NEIGHBORHOOD BARRE Studio location will be referred to as the "**Franchised Location**"). Upon selection of the Franchised Location, once approved by the Franchisor, the address of the Franchised Location shall be set forth in Exhibit I or the Rider to Exhibit I. Once the Franchisor has approved the Franchised Location, the Franchisor will be deemed to have complied with its obligation under this Agreement to assist the Franchisee by providing criteria for the Franchised Location.

3.2 Protected Territory. So long as the Franchisee is in compliance with this Agreement and any other agreements with the Franchisor and its affiliated companies, and subject to the Franchisor's reservation of rights described in Section 3.4 below, the Franchisor shall not operate, or grant franchises or licenses to others for the operation of, NEIGHBORHOOD BARRE Studios in the geographic area ("**Protected Territory**") described in Exhibit I, attached to this Agreement. The designation of the Protected Territory shall not provide the Franchisee with any exclusive right to market to or provide services and merchandise to any particular clients or customers.

3.3 No Relocation. The rights that are granted to the Franchisee are for the specific Franchised Location and Protected Territory and cannot be transferred to an alternative Franchised Location or Protected Territory, or any other location, without the prior written approval of the Franchisor, which approval shall not be unreasonably withheld.

3.4 Franchisor's Reservation of Rights. The Franchisee acknowledges that its franchise rights as granted under this Agreement are non-exclusive and that the Franchisor and its affiliates and successors retain the rights, among others, without compensation to the Franchisee:

a. to use, and to license others to use, the Marks and Licensed Methods in connection with the operation of a NEIGHBORHOOD BARRE Studio, at any location other than in the Protected Territory;

b. to use the Marks at any location within and outside of the Protected Territory to promote and market NEIGHBORHOOD BARRE Studios and related services and merchandise and to identify, offer and sell products and services through alternative channels of distribution other than through NEIGHBORHOOD BARRE Studios, at any location, and on any terms and conditions as the Franchisor determines, including, but not limited to, the sale of products and services, by way of the Internet, other electronic communications methods, catalog sales, telemarketing and other direct marketing sales, mail order, retail store display and wholesale;

c. to use and license the use of alternative proprietary marks or methods in connection with the sale of products and services similar to or the same as those which the Franchisee will sell, whether in alternative channels of distribution, including but not limited to, by way of the Internet, other electronic communications methods, catalog sales, telemarketing and other direct marketing sales, mail order, retail store display and wholesale, or in connection with the operation of businesses which provide exercise/fitness conditioning classes, or merchandise and equipment, which businesses are the same as, or similar to, or different from NEIGHBORHOOD BARRE Studios, at any location, and on any terms and conditions as the Franchisor deems advisable; and

d. to engage in any other activities not expressly prohibited by this Agreement.

4. INITIAL FRANCHISE FEE

4.1 Initial Franchise Fee. In consideration for the right to develop and operate one NEIGHBORHOOD BARRE Studio, the Franchisee agrees to pay to the Franchisor an initial franchise fee in an amount, and on the due dates, set forth in Exhibit I, attached to this Agreement. The Franchisee acknowledges and agrees that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that the Franchisor has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid, unless otherwise specifically set forth in this Agreement.

5. DEVELOPMENT OF FRANCHISED LOCATION

5.1 Approval of Franchised Location. The Franchisee shall follow the Franchisor's site selection procedures in locating a Franchised Location for the NEIGHBORHOOD BARRE Studio. Within 90 days from the date of this Agreement, the Franchisee shall seek the Franchisor's approval of any site proposed as a Franchised Location, by submitting a complete site submittal package, including demographics and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Franchisee shall obtain the Franchisor's approval of a Franchised Location not later than 180 days after the date of this Agreement. If the Franchisor disapproves of a site proposed by the Franchisee, the Franchisor will grant the Franchisee an additional, reasonable period of time to obtain approval of a different proposed Franchised Location, as may be determined in the Franchisor's reasonable business judgment.

5.2 Approval of Lease. The Franchisee shall obtain the Franchisor's prior written approval before executing any lease or purchase agreement for the Franchised Location. The lease for the Franchised Location shall contain provisions:

a. expressing the landlord's consent to the Franchisee's use of the Marks and signage which the Franchisor initially prescribes for the NEIGHBORHOOD BARRE Studio;

b. giving the Franchisor the right to enter the premises to make any modification necessary to protect the Marks and the Licensed Methods;

c. providing the Franchisor or its designee, without the landlord's approval, the option to assume the occupancy rights of the Franchisee under the existing lease terms and the right to assign the lease or sublet the premises, for all or part of the lease term, if the Franchisee is in default under the lease or the Franchise Agreement or the Franchise Agreement is terminated or not renewed;

d. requiring the landlord to provide the Franchisor with a notice of default and an opportunity to cure any default; and

e. restricting the use of the premises in a manner approved by the Franchisor.

The Franchisee shall deliver a copy of the proposed lease for the Franchised Location, to the Franchisor 30 days before its execution. The Franchisee acknowledges that the Franchisor's review and approval of a lease for the Franchised Location is for the Franchisor's benefit only and does not constitute a recommendation, endorsement or guarantee by the Franchisor of the suitability or profitability of the location or the lease and the Franchisee should take all steps necessary to ascertain whether such location and lease are acceptable to the Franchisee.

5.3 **Conversion and Design**. The Franchisee acknowledges that the layout, equipment, fixtures, design, decoration, color scheme and furnishing of Franchised Locations are an integral part of the Franchisor's proprietary Licensed Methods and accordingly, the Franchisee shall construct, convert, design, decorate, equip and furnish the Franchised Location in accordance with the Franchisor's plans and specifications and with the assistance of contractors and suppliers designated by or otherwise approved by the Franchisor. The Franchisee shall obtain the Franchisor's written consent to any conversion, design or decoration of the premises before construction, remodeling, equipment installation, decorating or furnishing begins, recognizing that any related costs are the Franchisee's sole responsibility. It shall be the Franchisee's responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Franchised Location and to ensure compliance with any lease terms and applicable laws, including, without limitation, the Americans with Disabilities Act. The Franchisee shall be responsible for the cost of obtaining any architectural designs and drawings. Following the completion of the initial improvements to the Franchised Location, the Franchisee must obtain the Franchisor's written consent before making any improvements or alterations to the Franchised Location which are not in accordance with plans and specifications previously approved in writing by the Franchisor or its designee.

5.4 **Signs**. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location, signs which comply with the standards and specifications of the Franchisor as set forth in the Operations Manual, as that term is defined in Section 8.1. It is the Franchisee's sole responsibility to ensure that all signs comply with applicable local ordinances, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor.

5.5 **Equipment and Merchandise**. The Franchisee shall purchase or otherwise obtain for use or sale at the Franchised Location and in connection with the Studio, equipment, music license(s), and merchandise of a type and in an amount which complies with the standards and specifications of the Franchisor. The Franchisee acknowledges that the type, quality, configuration, capability and performance of the equipment, merchandise, music license(s), and other products and services used or offered through the Studio are all standards and specifications which are a part of the Licensed Methods and therefore such equipment, merchandise, music license(s), and other products and services must be purchased, leased or otherwise obtained in accordance with the Franchisor's standards and specifications and only from the Franchisor, its affiliates or suppliers or other sources designated or approved by the Franchisor.

5.6 **Technology and Computer Systems**. The Franchisee shall equip the Studio with a computer system including computer hardware, software and other designated equipment, including a point-of-sale system ("**POS System**") for sales made at the Studio (collectively, the "**Computer System**") as is consistent with the standards and specifications of the Franchisor. The Computer System hardware and software must be obtained from the Franchisor or one of its affiliates, or from the Franchisor's approved or designated suppliers. The Franchisee shall be responsible for all maintenance costs associated with the Computer System. The Franchisee, at the Franchisee's sole cost, shall join a high-speed electronic network connection service to facilitate communication between the Franchisor and the Franchisee. The Franchisee shall give the Franchisor access to all information and data from the POS System and the other components of the Computer System through a high-speed internet connection or by other means designated by the Franchisor. The Franchisor requires that it be provided reasonable access to information and data regarding the Franchisee's Studio by electronic transmission through the POS System and the Computer System, and using hardware and software that meet the Franchisor's standards and specifications. The Franchisor, in its sole discretion, may require the Franchisee, at the sole cost and expense of the Franchisee, to upgrade and update the Computer System hardware and software during the term of this Agreement. The Franchisor

and third parties reserve the right to: (i) charge the Franchisee a fee for access to electronic and other communication and technology services the Franchisor provides or makes available to the Franchisee; (ii) develop proprietary software or other technology for use in NEIGHBORHOOD BARRE Studios and charge the Franchisee a licensing fee for such software or other technology; (iii) derive revenue from Computer System or other technology maintenance and upgrade fees in the event proprietary software or other technology systems are developed for use in NEIGHBORHOOD BARRE Studios; and (iv) require that the Franchisee participate in all credit card, gift card, electronic data capture or other similar programs that the Franchisor deems mandatory.

5.7 Permits and Licenses. The Franchisee agrees to obtain all such permits and certifications as may be required for the lawful construction and operation of the NEIGHBORHOOD BARRE Studio together with all certifications from government authorities having jurisdiction over the site, that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. Prior to opening the Franchised Location, the Franchisee shall submit a signed copy of the Permit, License and Construction Certificate ("**PLC Certificate**"), attached as Exhibit IV to this Agreement. The Franchisee shall immediately notify the Franchisor if any representations contained in the PLC Certificate cease to be accurate.

5.8 Commencement of Operations. Unless otherwise agreed to in writing by the Franchisor and the Franchisee, the Franchisee shall have nine months from the date of this Agreement within which to: (1) secure all necessary financing for the Studio; (2) select, lease and build out the Franchised Location with the Franchisor's approval; (3) hire qualified personnel and complete the initial training programs described in Article 6 of this Agreement; (4) purchase an opening inventory of equipment and supplies; (5) obtain and provide evidence of insurance as described in Section 22.1 below; (6) implement a grand opening marketing campaign as described in Section 13.6 of this Agreement; and (7) commence operation of the NEIGHBORHOOD BARRE Studio at the Franchised Location. The Franchisor will extend this deadline for a reasonable period of time in the event factors beyond the Franchisee's reasonable control prevent the Franchisee from meeting this development schedule, so long as the Franchisee has made reasonable and continuing efforts to comply with such development obligations and the Franchisee requests, in writing, an extension of time in which to have its NEIGHBORHOOD BARRE Studio open before such development period lapses. The Franchisee shall obtain the Franchisor's approval prior to opening the NEIGHBORHOOD BARRE Studio at the Franchised Location.

5.9 Website Design and Maintenance. Prior to the opening of the Studio, the Franchisor will provide the Franchisee with a page that is linked to the Franchisor's website and which conforms with the Franchisor's standards and specifications. The Franchisee is responsible for creating and maintaining website content for its page. Franchisee shall purchase website development and maintenance services, to be provided by third parties designated by the Franchisor, in its sole discretion. The Franchisee shall pay a monthly fee for website maintenance which is due and payable to the Franchisor via electronic transfer of funds on the Royalty Due Date set forth in Section 12.3 of this Agreement. The Franchisor reserves the right to increase these fees on 30 days' notice. If the Franchisee requests services in addition to routine monthly maintenance, such services will be provided by a designated supplier at its then current service fee.

5.10 Third-Party Financing. If the Franchisee obtains financing from a third-party lender to develop the Studio, the Franchisee shall deliver a copy of the lender's commitment letter to the Franchisor within 10 days of receipt of the commitment letter.

6. TRAINING

6.1 **Initial Training Program**. The Franchisee or, if the Franchisee is not an individual, at least one of the individuals designated by the Franchisee to assume primary responsibility for the management of the NEIGHBORHOOD BARRE Studio ("**Principal Manager**"), is required to attend and successfully complete the Franchisor's initial franchise training program, which will be held at a location in the Knoxville, Tennessee metropolitan area, or at another location designated by the Franchisor. The Franchisor reserves the right to conduct the initial training program virtually or to send a trainer to the Franchisee's Franchised Location. Six individuals are eligible to participate in the initial training program without charge of a tuition or fee. The Franchisee shall be responsible for any and all travel and living expenses incurred by the Franchisee's personnel in connection with attendance at the initial training program. Training participants will not receive any compensation from the Franchisor while attending the initial training program. At least one person, who may be the Principal Manager, must successfully complete both the management and the **"Certified Instructor"** portions of the initial training program prior to the Franchisee's commencement of operation of its Studio. The Franchisor will make both parts of the initial training program available, at the Franchisor's then current fee, to replacement or additional Principal Managers and Certified Instructors, in accordance with Section 9.1.d below.

6.2 **Length of Training Program**. Both parts of the initial training program together will consist of up to 10 days of instruction and training at a location designated by the Franchisor. A portion of the training program may be conducted at the Franchisee's Franchised Location, online, or at another designated location, in the Franchisor's discretion. If the Franchisor provides a portion of the initial training program at the Franchisee's Studio, the Franchisee must reimburse the Franchisor for all travel, lodging, and living expenses incurred by the Franchisor's personnel. The Franchisor reserves the right to waive a portion of the initial training program, or alter the training schedule, if, in the Franchisor's sole discretion, the Franchisee or a Principal Manager has sufficient prior experience or training. The Franchisor has the right to determine and offer all training programs via webinar or other remote method if circumstances warrant, in the Franchisor's sole discretion.

6.3 **Management Training and Certified Instructor Training**. Within nine months from the date of this Agreement, either the Franchisee or the Principal Manager must successfully complete both portions of the Franchisor's initial training program and other requirements to attain certification status in accordance with the Franchisor's standards and specifications. Each Certified Instructor must complete a refresher training program prescribed by the Franchisor every three years in order to maintain the Instructor's certified status. The Franchisee must pay tuition for each person who completes the refresher training. Certified Instructors must attend refresher training in person at a location designated by the Franchisor. The Franchisee is responsible for any and all travel and living expenses incurred in connection with attendance by the Franchisee's personnel at the refresher Certified Instructor training program. The Franchisee may request, and the Franchisor may agree, to provide the Certified Instructor training at the Franchisee's NEIGHBORHOOD BARRE Studio. If the Franchisor agrees to provide such training at the NEIGHBORHOOD BARRE Studio, the Franchisee must pay a fee to the Franchisor and reimburse the Franchisor for all travel, lodging, and living expenses incurred by the Franchisor's personnel.

6.4 **Certified Instructor Training**. The Franchisee must at all times employ at least three instructors that have achieved the status of **"Certified Instructor."** All instructors must be Certified Instructors before they will be allowed to instruct clients at the NEIGHBORHOOD BARRE Studio. To become Certified Instructors, the Franchisee's instructors shall complete the Franchisor's prescribed training course and meet any other requirements in accordance with the Franchisor's standards and specifications. The Franchisee will pay a fee to the Franchisor for each person who attends a training course to become a Certified Instructor.

6.5 Additional Training. If the Franchisee is opening its first Studio, the Franchisor shall provide additional opening training and assistance on-site at the Franchisee's NEIGHBORHOOD BARRE Studio, as described in Section 7.1.f below. From time to time, the Franchisor may also present seminars, conventions or continuing development programs or conduct meetings for the benefit of the Franchisee. The Franchisee or the Principal Manager shall be required to attend any ongoing mandatory seminars, conventions, programs or meetings as may be offered by the Franchisor. The Franchisor reserves the right to require the Franchisee and its employees to complete on-line training seminars up to twice a year. The Franchisor shall give the Franchisee at least 30 days prior written notice of any ongoing seminar, convention or program which is deemed mandatory. The Franchisor shall not require that the Franchisee, its Principal Manager or its employees attend any national convention or meeting more often than once a year and any local or regional seminar or meeting more than once a year. The Franchisor may charge a tuition or fee for additional training. The Franchisee will be responsible for all travel and living expenses which are associated with attendance at any additional training.

7. DEVELOPMENT ASSISTANCE

7.1 The Franchisor's Development Assistance. The Franchisor, or its designee, shall provide the Franchisee with assistance in the initial establishment of the NEIGHBORHOOD BARRE Studio as follows:

a. Provision of the initial training program to be conducted in the Knoxville, Tennessee metropolitan area, or at another location designated by the Franchisor, as described in Article 6 above.

b. Provision of specifications for a Franchised Location which shall include, without limitation, specifications for space requirements, build out and the demographics and character of the surrounding market area. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such written specifications and approval or disapproval of a proposed Franchised Location. The Franchisor shall be entitled to rely on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be reasonably required by the Franchisor.

c. Directives regarding the required conversion, design and decoration of the Franchised Location, plus standards and specifications concerning interior and exterior signs, decor, color, products, inventory, equipment, Franchised Location layout and lease review.

d. Provision of a comprehensive onboarding plan, including information and advice about designated or approved suppliers of the POS System, Computer System, software, inventory, supplies, equipment, and materials used in, and merchandise sold through, the Studio.

e. Loan or provide electronic access to one copy of the Operations Manual in accordance with the terms and conditions of Section 8 below.

f. The Franchisor will make available to the Franchisee within six months after the commencement of operations of the Franchisee's NEIGHBORHOOD BARRE Studio, a representative to be present for up to two days to assist the Franchisee in the initial operation of the NEIGHBORHOOD BARRE Studio. The representative will assist the Franchisee's employees in the initial operation of the NEIGHBORHOOD BARRE Studio at a time scheduled by the Franchisor, unless in the Franchisor's determination, the Franchisee or a Principal Manager have had sufficient prior training or experience.

g. Provision of assistance and advice regarding how to conduct the grand opening marketing campaign.

8. OPERATIONS MANUAL

8.1 Operations Manual. The Franchisor shall loan or provide electronic access to one copy of its manuals, technical bulletins, or other written materials (collectively referred to as "**Operations Manual**"), covering certain standards, specifications and operating and marketing procedures that the Franchisor requires the Franchisee to utilize in operating its Studio. The Franchisee shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement. The Operations Manual shall be deemed to be incorporated herein by reference. Failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement.

8.2 Confidentiality of Operations Manual Contents. The Franchisee agrees to use the Marks and Licensed Methods only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. The Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed a nondisclosure agreement in a form approved by the Franchisor. The Franchisee shall return the Operations Manual, with any written updates, to the Franchisor upon the expiration, termination or assignment of this Agreement.

8.3 Changes to Operations Manual. The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update or change operating and marketing techniques or standards and specifications. The Franchisee, upon receipt of any updated information, shall update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations with the updated provisions within 30 days thereafter. The Franchisee acknowledges that a master copy of the Operations Manual maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. OPERATING ASSISTANCE

9.1 The Franchisor's Services. The Franchisor agrees that, during the Franchisee's operation of the NEIGHBORHOOD BARRE Studio, the Franchisor, or its designee, shall make available to the Franchisee the following services:

a. Upon the reasonable request of the Franchisee, consultation by telephone or electronic mail, regarding the continued operation and management of a NEIGHBORHOOD BARRE Studio and advice regarding customer instruction and training techniques, ancillary customer services, customer relations, merchandising, marketing, and accounting.

b. Access to advertising and promotional materials and designs, whether produced through proceeds from the Advertising Fund or otherwise, although the costs of reproduction, reprinting and placement shall be, at the option of the Franchisor, the Franchisee's responsibility, and assistance via telephone or electronic mail, in determining the media, timing and placement for the Franchisee's ongoing marketing program.

c. On-going updates of information and programs regarding class instruction techniques, marketing and promotional programs, the competition, the industry, the NEIGHBORHOOD BARRE concept and the Licensed Methods, including information concerning special or new products and services which the Franchisor develops and makes available to its franchisees.

d. The Franchisor shall offer the management training program to replacement or additional Principal Managers, and the Franchisor shall also offer the Certified Instructor training program to new or replacement Certified Instructors, for a fee commensurate with the Franchisor's current published prices for training, payable in advance. The Franchisee shall be responsible for all travel and living expenses incurred by its personnel during the training programs. The availability of the training programs shall be subject to space and timing considerations and prior commitments to new NEIGHBORHOOD BARRE franchisees.

e. The provision of mandatory or voluntary, at the Franchisor's option, continuing education courses that the Franchisor may develop regarding new class routines, equipment, instruction techniques, safety procedures, and products and services.

9.2 Additional Franchisor Services. Although not obligated to do so, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the NEIGHBORHOOD BARRE Studio governed by this Agreement. In the event that the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current daily rates being charged by the Franchisor for assistance.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1 Business Operations. The Franchisee acknowledges that it is solely responsible for the successful operation of its NEIGHBORHOOD BARRE Studio and that the continued successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained in this Agreement and in the Operations Manual, the Franchisee agrees to comply with the following operational obligations:

a. **Quality of Operations**. The Franchisee shall maintain clean, efficient and high-quality NEIGHBORHOOD BARRE Studio operations and shall operate the Studio in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the NEIGHBORHOOD BARRE name and Marks.

b. **Compliance with Laws and Good Business Practices**. The Franchisee will conduct itself and operate its NEIGHBORHOOD BARRE Studio in compliance with all applicable laws, including, data security laws, privacy laws, and all regulations, and in such a manner so as to promote a good public image in the business community. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses to operate the Studio and to carry on business at the Franchised Location. The Franchisee shall promptly forward to the Franchisor copies of all health department, fire department, zoning, building department and other similar reports of inspections as and when they become available. The Franchisee shall also immediately forward to the Franchisor health department, fire department, building department or other governmental entity notices of violation upon receipt thereof or any other inspection reports, warnings, certificates or ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the NEIGHBORHOOD BARRE Studio which indicates the Franchisee's failure to meet or maintain the highest governmental standards, or less than full compliance by the Franchisee with any applicable law, rule or regulation. The Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by such laws, regulations and ordinances.

c. **Management**. The Franchisee acknowledges that proper management of the NEIGHBORHOOD BARRE Studio is important and shall ensure that the Franchisee, or a designated Principal Manager who has completed the Franchisor's management training program, be responsible for the management of the NEIGHBORHOOD BARRE Studio at all times throughout the term of this Agreement. If a Principal Manager leaves the Studio, he or she must be replaced within three months with a person who has successfully completed the Franchisor's management training course. Principal Managers shall execute a Nondisclosure and Noncompetition Agreement with the Franchisor.

d. **Merchandise**. The Franchisee acknowledges that the availability of certain quality merchandise is a material aspect of the Licensed Methods. Therefore, the Franchisee agrees to purchase from the Franchisor, its affiliates or from designated or approved sources, and continuously maintain minimum levels of inventory of exercise equipment and merchandise, clothing and other items of a brand designated by the Franchisor and certain promotional merchandise and proprietary exercise videos.

e. **Approved Services and Merchandise; Scope of Franchise Operation**. The Franchisee shall offer only services and merchandise through its Studio which meet or exceed the minimum standards and specifications established by the Franchisor as more fully described in the Operations Manual. The Franchisee shall offer all types of services and merchandise as from time to time may be prescribed by the Franchisor and shall refrain from offering any other types of services or merchandise, or operating or engaging in any other type of business or profession, from or through the Studio or the Franchised Location, or the Franchisee entity, if applicable. Except as set forth in Section 2.2 above, the Franchisee shall refrain from offering and selling any other types of services or merchandise or operating or engaging in any other type of business or profession, from or through the NEIGHBORHOOD BARRE Studio or the Franchised Location, including, without limitation, offering for sale or selling merchandise or services, except at the Franchised Location, offering for sale or selling services or merchandise of any sort on the Internet or by other electronic communications methods, by mail order, through catalogs or other means. The Franchisee shall not, except with the prior written consent of the Franchisor, sell items at wholesale or otherwise sell merchandise from or through the NEIGHBORHOOD BARRE Studio to any person or business for resale.

f. **Payment of Obligations; Insolvency**. The Franchisee shall pay on a timely basis all amounts due and owing to the Franchisor or its affiliates for: (i) software, computer system hardware, website development and maintenance services provided by third parties, (ii) all amounts due and owing for the purchase of any inventory, merchandise, equipment and services, and (iii) all amounts due and owing pursuant to any separate agreements, including any premises sublease, between the Franchisee and the Franchisor and its affiliates. The Franchisee shall also pay on a timely basis all amounts due and owing by the Franchisee to all third parties, including landlords, suppliers, vendors and taxing authorities, with whom the Franchisee does business at the Franchised Location or through the Studio. In connection with any amounts due and owing by the Franchisee to third parties, the Franchisee expressly acknowledges that a default by the Franchisee with respect to such indebtedness may be considered a default hereunder and the Franchisor may avail itself of all remedies provided for herein in the event of default. The Franchisee shall immediately notify the Franchisor if any action is taken by the Franchisee or the owners of the Franchisee, or by others against the Franchisee or owners of the Franchisee under any insolvency, bankruptcy or reorganization act, or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by the Franchisee.

g. **Other Agreements**. The Franchisee shall comply with all agreements with third parties related to the NEIGHBORHOOD BARRE Studio or the Franchised Location, including, in particular, all provisions of any premises lease, any product or supply contracts and other agreements.

h. **Employees**. The Franchisee shall be exclusively responsible for the conduct and control of its employees and employment practices, including hiring, firing, training and compensation of its employees. The Franchisee and all employees of the Franchisee shall present a professional appearance, as may be described in the Operations Manual, and shall render competent and courteous service to customers of the NEIGHBORHOOD BARRE Studio. All Principal Managers, employees of the Franchisee, the Franchisee and its owners, shall wear the specified apparel at all times while working at the Studio. The Franchisor has the right, in its sole discretion, to change or modify such dress code guidelines. The Franchisee shall run background checks, in accordance with the Franchisor's specifications, on all of its employees before hiring them and at least annually thereafter. The Franchisee shall not be permitted to employ, or continue to employ, a person with a felony conviction or other negative history, in accordance with the Franchisor's standards set forth in the Operations Manual. Nothing in this Agreement shall be deemed to make the Franchisee's employees, representatives or agents (i) subject to the control of the Franchisor or (ii) employees of the Franchisor.

i. **Remodeling and Upgrading**. The Franchisee agrees to renovate, refurbish or replace, at its own expense, the exercise equipment, furniture, décor, Computer System and fixtures used in the operation of the NEIGHBORHOOD BARRE Studio and at the Franchised Location, when reasonably required by the Franchisor in order to comply with the image, standards of operation and performance capability established by the Franchisor from time to time. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes.

j. **Training of Employees**. The Franchisee shall be fully responsible for its employees' compliance with the operational standards which are part of the Licensed Methods and for compliance with all laws and regulations affecting Studio operations. The Franchisee must conduct its employee training in the manner and according to the standards as prescribed in the Operations Manual. Any employee who does not satisfactorily complete the training shall not work in any capacity in the Franchisee's Studio.

k. **Ownership of Business**. The Franchisee shall at all times during the term of this Agreement own and control the NEIGHBORHOOD BARRE Studio authorized hereunder. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the NEIGHBORHOOD BARRE Studio is held by the Franchisee. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 17 herein. In addition, if the Franchisee is an entity, all of the owners of the Franchisee shall sign the Personal Guaranty attached hereto as Exhibit II and such owners of the Franchisee as the Franchisor shall designate shall sign a Nondisclosure and Noncompetition Agreement.

l. **Hours of Operation**. The Franchisee shall at all times during the term of this Agreement keep its Studio open during the hours as may be designated by the Franchisor from time to time in the Operations Manual and shall maintain sufficient inventory and employ adequate personnel at all times so as to operate the Studio at its maximum capacity and efficiency.

11. PURCHASES OF PRODUCTS

11.1 Inventory. Prior to the opening of the NEIGHBORHOOD BARRE Studio (which shall occur within nine months after the date of this Agreement as described in Section 5.8), the Franchisee shall purchase and stock the Studio with inventory of a type and in such mix and quantities as the Franchisor

may determine and prescribe. The Franchisee shall have additional obligations to purchase equipment and inventory prior to the opening of the NEIGHBORHOOD BARRE Studio in accordance with the Franchisor's standards and specifications. The Franchisee shall pay the Franchisor the then current administrative fee, if applicable, to participate in any buying programs sponsored by the Franchisor or its affiliates. The Franchisee shall, throughout the term of this Agreement, maintain product inventory levels and product inventory mix sufficient to meet customer demands and in compliance with the Franchisor's standards and specifications as may be described in the Operations Manual from time to time.

11.2 Limitations on Supply Obligations. With respect to purchases of products and other items from or through the Franchisor or its affiliated companies, such purchases are subject to and conditioned upon availability. Nothing in this Agreement shall be construed by the Franchisee to be a promise or guarantee as to the continued existence of a particular product or other item, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell products or other items to the Franchisee or to permit the Franchisee to purchase products through the account of the Franchisor or its affiliates if the Franchisee is in arrears on any payment to the Franchisor, its affiliates or a third party supplier or otherwise in default under this Agreement. The Franchisor may require payments to be made at time of order or in cash on delivery ("**COD**"). If the Franchisee is in arrears on any payment to the Franchisor, its affiliates or a third party supplier, is in default under this Agreement or is otherwise not in compliance with the terms and conditions imposed by the Franchisor, its affiliates or any third party supplier for the purchase of any products or items, the Franchisor or its affiliates may discontinue selling or permitting the purchase through the account of the Franchisor or its affiliates of any products or other items to the Franchisee and may place the account of the Franchisee on hold and cease directly or through third party suppliers the delivery of products already ordered and not yet paid for. In addition, penalties and interest for late payments for products and other items purchased from or through the Franchisor and its affiliates will apply on the same terms as for Royalties, described in Section 12.4 below. The Franchisor and its affiliates shall also be entitled to recover their reasonable attorneys' fees from the Franchisee in connection with any legal action, arbitration or other proceeding brought by them to collect amounts owed by the Franchisee for purchases of products and other items from or through the Franchisor or its affiliates.

11.3 No Warranties. THE FRANCHISOR AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS OR OTHER ITEMS PURCHASED BY THE FRANCHISEE FROM OR THROUGH THE FRANCHISOR OR ITS AFFILIATES.

11.4 Changes in Inventory; Terms of Sale. It is understood that the Franchisor and its affiliates shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products required to be offered for sale at the Studio; to add to or delete from the list of approved suppliers of products and other items; and to change the prices, limits on the maximum dollar value of products permitted to be purchased, discounts, or terms of sale of any products or other items. No such changes will give the Franchisee the right to recover damages against, or be reimbursed, by the Franchisor or its affiliates for any losses suffered by the Franchisee, nor will the Franchisee be entitled to require the Franchisor and its affiliates to accept return of any of the products rendered obsolete by such changes. In the event of such changes, however, the sale by the Franchisee of its existing stock of products which are no longer approved, or products in its existing stock from a supplier no longer approved, shall not be considered a violation hereof. The Franchisee shall comply with the then current terms and conditions of sale of the Franchisor or its affiliates for the purchase of inventory, equipment and other items through the Franchisor or its affiliates. The Franchisee acknowledges that the terms and conditions of sale offered by the Franchisor or its affiliates to the Franchisee for the purchase of inventory, merchandise and other items may differ from the terms and conditions of sale offered by third parties to the Franchisor or its affiliates for the purchase of such items.

11.5 **Credit Card**. No later than 30 days prior to the opening of the Studio, the Franchisee shall execute and deliver to the Franchisor a credit card payment authorization, a copy of which is attached hereto as Exhibit VI, authorizing the Franchisor to charge the credit card of the Franchisee for amounts owed to the Franchisor or its affiliates under this Agreement or related agreements including, without limitation, amounts owed for the purchase of merchandise, products or equipment from or through the Franchisor or its affiliates, Royalties, Advertising Contributions, website maintenance fees, interest and late charges and other fees and charges. The Franchisee shall at all times during the term of this Agreement maintain a minimum available credit limit in a dollar amount that the Franchisor shall designate from time to time based upon the dollar volume of purchases of inventory, outstanding balance and payment history and other factors determined by the Franchisor. The failure by the Franchisee to maintain a valid credit card with a credit limit designated by the Franchisor shall constitute a default under this Agreement. Within five days of receipt of a written request from the Franchisor, the Franchisee shall execute and return to the Franchisor an additional credit card payment authorization form with new credit card information or otherwise to ensure the credit card authorization form is current and valid.

12. ROYALTIES AND FEES

12.1 **Monthly Royalty**. The Franchisee shall pay to the Franchisor a monthly royalty equal to the greater of (i) $500 and (ii) 6% of Franchisee's monthly Gross Sales, as defined in Section 12.2 below (the "**Royalty**").

12.2 **Gross Sales**. "**Gross Sales**" shall mean and include the aggregate amount received or receivable by the Studio from, connected with, or related to the sale of fitness and exercise training services, exercise equipment, merchandise, products, other services and all business transacted in or through the Franchisee's Studio directly or indirectly, including proceeds from the resale of any products purchased from the Franchisor or the Franchisor's affiliates, and excluding only: (i) the amount of any federal, state or local sales or excise taxes or other similar taxes, separately stated; (ii) the amount of any refunds to customers for bona fide return of items sold; (iii) gift certificate revenues; and (iv) other exclusions as may be authorized in writing by the Franchisor.

12.3 **Royalty Payments**. Royalty payments shall be made monthly and shall be sent to the Franchisor by electronic funds transfer or otherwise transmitted as the Franchisor may require on the 10th day of each month for the immediately preceding month ("**Due Date**"). The Franchisor may change the Due Date upon 30 days prior notice to the Franchisee and the Franchisor reserves the right to require payments to be made weekly, in the Franchisor's discretion. Royalty payments start to accrue on the date that the Studio commences operations, which date shall be determined by the Franchisor. Partial month Royalty payments shall be prorated as applicable. No later than 30 days prior to the opening of the Studio, the Franchisee shall execute an authorization agreement, a copy of which is attached hereto as Exhibit V, for preauthorized payment of Royalty payments and other payments owed by the Franchisee to the Franchisor or its affiliates by electronic transfer of funds from the Franchisee's bank account to the Franchisor's bank account. The Franchisor shall have the right to verify such Royalty payments from time to time as it deems necessary, in any reasonable manner.

12.4 **Insufficient or Delinquent Payments**. In the event that the Franchisee has insufficient funds in the account or otherwise fails to pay any Royalties as of the Due Date, the Franchisee shall, in addition to such Royalties, owe interest after the due date at the highest applicable legal rate for open account business credit, not to exceed 1.5% per month, plus a $50 per day late payment charge shall be automatically assessed or debited along with the late debit or payment of Royalties. The Franchisee acknowledges that this Section 12.4 shall not constitute the Franchisor's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the Studio. The Franchisor also reserves the right to automatically assess and debit a $50 late charge for

any report or financial statement required under Article 16 below which is not timely filed by the Franchisee. Late charges shall continue to accrue each month that said report(s) and financial statement(s) remain unfiled and shall be due and payable in full upon demand by the Franchisor or shall be debited from the account of the Franchisee. In the event such late charges are not paid upon demand, the Franchisor may elect to pursue its remedies as further set forth in this Agreement. In no event shall the Franchisee be required to pay a late payment or interest at a rate greater than the maximum interest rate permitted by applicable law.

12.5 Application of Payments. Notwithstanding any designation by the Franchisee, the Franchisor shall have sole discretion to apply any payments by the Franchisee, and any credits received by the Franchisor on the Franchisee's behalf from third-party vendors, to any of Franchisee's past due indebtedness to the Franchisor for Royalties, Advertising Contributions, purchases from the Franchisor or its affiliates, interest or any other indebtedness. The Franchisee acknowledges that the Franchisor has the right to set-off any amounts the Franchisee may owe to the Franchisor against any amounts the Franchisor might owe to the Franchisee.

12.6 Electronic Funds Transfer. The Franchisee authorizes the Franchisor and its affiliates to initiate debit entries and credit correction entries to the Franchisee's checking, savings or other account for the payment of Royalties, Advertising Contributions, website maintenance fees, insurance premiums and any other amounts due from the Franchisee under this Agreement or otherwise. The Franchisor may require the Franchisee to pay Royalties, Advertising Contributions, website maintenance fees and other amounts due under this Agreement or otherwise by means in addition to or other than electronic funds transfer including, without limitation, by pre-authorized credit card pursuant to Section 11.5 of this Agreement, and the Franchisee agrees to comply with the Franchisor's payment instructions.

13. ADVERTISING

13.1 Approval of Advertising. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising or other marketing or promotional programs regarding the NEIGHBORHOOD BARRE Studio, including, without limitation, Internet directory advertising, social media, search engine optimization (SEO), promotions, newspaper ads, flyers, brochures, coupons, direct mail pieces, and radio and television advertising. The Franchisee shall also obtain the Franchisor's prior written approval before using any promotional materials as may be provided by vendors. The proposed written advertising or a description of the marketing or promotional program shall be submitted to the Franchisor at least 30 days prior to publication, broadcast or use. The Franchisee acknowledges that advertising and promoting the NEIGHBORHOOD BARRE Studio in accordance with the Franchisor's standards and specifications is an essential aspect of the Licensed Methods, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its NEIGHBORHOOD BARRE Studio and in the manner prescribed by the Franchisor. The Franchisee shall participate in all promotional programs established by the Franchisor from time to time for all NEIGHBORHOOD BARRE Studios and the Franchisor shall set the rules for and dates during which any such promotional program shall be implemented.

13.2 Advertising Contribution. Beginning on the date that the Studio opens, the Franchisee shall contribute to an advertising fund established by the Franchisor ("**Advertising Fund**") a monthly fee of up to 1% of Franchisee's monthly Gross Sales (the "**Advertising Contribution**"). The Advertising Contribution shall be paid to the Franchisor in addition to Royalties and in addition to and not in lieu of the Local Advertising allocation. The Franchisee acknowledges that the Advertising Contributions from NEIGHBORHOOD BARRE Studios are contributed to a single Advertising Fund. The following terms and conditions shall apply to the Advertising Contribution payment:

a. The Advertising Contribution shall be payable concurrently with and in the same manner as the payment of the Royalties, payable no later than the Due Date throughout the term. Partial month Advertising Contributions shall be prorated as applicable. The Franchisee shall execute an authorization agreement for preauthorized payment of the Advertising Contribution payments by electronic transfer of funds.

b. The Advertising Contributions will be subject to the same late charges as the Royalties, in an amount and manner set forth in Section 12.4 above.

c. Upon the request of the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of each fiscal year, an unaudited financial statement which indicates how the Advertising Fund has been spent during the previous year.

d. The Franchisor shall direct all advertising and marketing programs financed by the Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market and media placement and allocation, and the administration thereof. The Franchisee agrees that the Advertising Fund may be used to pay the costs of preparing and producing video and audio and written advertising materials, including direct mail; sponsoring radio programs and other media advertising; administering multi-regional advertising programs; employing advertising agencies and in-house staff to assist therewith; gift certificate and other customer loyalty programs; website, social media and other electronic advertising; and supporting public relations, market research and other advertising and marketing activities for NEIGHBORHOOD BARRE Studios.

e. The Advertising Fund shall be accounted for separately from the Franchisor's other funds and shall not be used to defray any of the Franchisor's or its affiliates' general operating expenses, except for such reasonable administrative costs, salaries and overhead as the Franchisor or its affiliates may incur in activities related to the administration of the Advertising Fund and its marketing programs, including, without limitation, conducting market research, preparing material, incurring related accounting and legal expenses, collecting and accounting for Advertising Fund contributions. The Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all NEIGHBORHOOD BARRE Studios to the Advertising Fund in that year and the Advertising Fund may borrow from the Franchisor or other lenders to cover deficits or cause the Advertising Fund to invest any surplus for future use. All interest earned on monies contributed to the Advertising Fund will be first used to pay costs. Any amounts remaining in the Advertising Fund at the end of each year accrue and will be applied toward the following year's expenses. The Advertising Fund may be incorporated or operated through an entity separate from the Franchisor at such time as the Franchisor deems appropriate, and such successor entity shall have all rights and duties of the Franchisor pursuant to this Section 13.2.

f. The Franchisee understands and acknowledges that the Advertising Fund is intended to maximize recognition of the Marks and patronage of NEIGHBORHOOD BARRE Studios. Although the Franchisor will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all NEIGHBORHOOD BARRE Studios, the Franchisor undertakes no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the contributions by NEIGHBORHOOD BARRE Studios operating in that geographic area or that any NEIGHBORHOOD BARRE Studio will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement of advertising. The Franchisor does not owe the Franchisee a fiduciary duty with respect to the maintenance, direction, or administration of the Advertising Fund. Except as expressly provided in this Section 13.2, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the Advertising Fund. NEIGHBORHOOD

BARRE Studios operated by the Franchisor or its affiliates shall contribute to the Advertising Fund on the same basis as NEIGHBORHOOD BARRE franchisees.

g. The Franchisor reserves the right to terminate the Advertising Fund, upon 30 days' written notice to the Franchisee. All unspent monies on the date of termination shall be distributed to the Franchisor's franchisees in proportion to their respective contributions to the Advertising Fund during the preceding 12-month period. The Franchisor shall have the right to reinstate the Advertising Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice to the Franchisee.

13.3 Local Advertising. Beginning on the date that the Studio opens, the Franchisee shall spend a quarterly average of $200 per month to advertise the Studio locally. The Franchisee will submit to the Franchisor a quarterly accounting of the amounts spent on local advertising within 30 days following the end of each calendar quarter. If the Franchisee's lease requires it to advertise locally, the Franchisor may, in its sole discretion, count such expenditures toward the Franchisee's local advertising expenditure required by this Section 13.3. The Franchisee shall use materials supplied and pre-approved by the Franchisor or obtain the Franchisor's prior written approval of all written advertising and promotional materials before publication.

13.4 Regional Advertising Programs. The Franchisor reserves the right, upon 30 days prior written notice to the Franchisee, to create a regional advertising association ("**Co-op**") for the benefit of NEIGHBORHOOD BARRE franchisees located within a particular geographic area. If a Co-op is established for the area where the Franchisee is located, the Franchisee will be required to participate in the Co-op for the purpose of selecting and participating in regional marketing and promotional programs for NEIGHBORHOOD BARRE Studios. The Franchisor shall have the right to require, in its sole discretion, that the Franchisee allocate all or a portion of the local advertising expenditure required by Section 13.3 above to the Co-op. The Franchisor may, in its sole discretion, allocate all or a portion of the Advertising Contribution to the Co-op. The Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues of the Co-op, to the extent that they are approved by the Franchisor. Each Co-op has the right, by majority vote, to require its members to pay additional monthly dues to the Co-op. The failure of the Franchisee to participate in the Co-op or pay any dues required by the Co-op, may, at the option of the Franchisor, be deemed to be a breach of this Agreement. The Franchisor has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of any regional advertising and promotional campaigns and to require that the Franchisee participate in such regional advertising programs as and when they may be established by the Franchisor. If a Co-op is implemented on behalf of a particular region by the Franchisor, the Franchisor, to the extent reasonably calculable, shall require that only contributions from NEIGHBORHOOD BARRE franchisees within such region be redirected to the Co-op or for the particular regional advertising program. The Franchisor reserves the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the implementation and administration of the Co-op and marketing programs. The Franchisor also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the regional advertising program; provided that the Franchisor shall have the right to review and approve the governing documents of such a self-administering cooperative. NEIGHBORHOOD BARRE Studios operated by the Franchisor's affiliates will contribute to the Co-op on the same basis as NEIGHBORHOOD BARRE franchisees.

13.5 Electronic Advertising. The Franchisee shall not develop, create, distribute, disseminate or use any Internet communication, including, without limitation, any website, blog, instant messaging service, social media site or networking account or other electronic or other communication method now in existence or to be created (including, without limitation, the website developed for the Studio pursuant to Section 5.9 of this Agreement), or any multimedia, telecommunication, mass electronic mail or

audio/visual advertising, promotional or marketing materials ("**Electronic Advertising**") relating to or associated with the NEIGHBORHOOD BARRE Studio or the Marks, the Licensed Methods or the Franchisor and its affiliates, without the Franchisor's prior written consent, which consent may be withheld in the Franchisor's sole discretion. The Franchisor shall retain the exclusive right to develop, publish and control the content of all Electronic Advertising for the NEIGHBORHOOD BARRE Studios. The Franchisor reserves the right, upon 30 days prior written notice, to require the Franchisee to participate in any Electronic Advertising of the NEIGHBORHOOD BARRE Studio sponsored by the Franchisor. The Franchisee acknowledges that the Franchisor shall own all databases of customer email addresses and related customer information. In addition to the obligations of the Franchisee pursuant to Section 5.9 of this Agreement, the Franchisor reserves the right to require the Franchisee to change, delete or provide access to the Franchisor and its designees to any Electronic Advertising. If the Franchisor permits or requires the Franchisee to develop any Electronic Advertising, the Franchisee shall do so in compliance with the Franchisor's policies and rules regarding the creation, maintenance, use, publication and content of such Electronic Advertising as set forth in this Agreement, the Operations Manual or Electronic Advertising code of conduct that the Franchisor may develop, disseminate and modify from time to time. Any amounts that the Franchisee spends to participate in Electronic Advertising shall be credited toward the Franchisee's local advertising obligations.

13.6 Grand Opening Marketing Campaign. The Franchisee shall conduct a grand opening marketing campaign approved by the Franchisor or its designee for the NEIGHBORHOOD BARRE Studio during the first six months after the Studio opens and shall spend a minimum dollar amount as set forth in Exhibit I for the grand opening marketing campaign. The Franchisee shall provide the Franchisor with a summary of the grand opening marketing campaign expenditures within six months after the Studio opens.

14. QUALITY CONTROL

14.1 Compliance with Operations Manual. The Franchisee agrees to maintain and operate the NEIGHBORHOOD BARRE Studio in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor.

14.2 Standards and Specifications. The Franchisor will make available to the Franchisee standards and specifications for services and merchandise offered at or through the NEIGHBORHOOD BARRE Studio and equipment, the Computer System, fitness class instruction, music that accompanies classes, decor, displays, furniture, fixtures, inventory policies, employee attire, materials, forms, items, supplies and services used in connection with the Studio. The Franchisor reserves the right to change standards and specifications for services and merchandise offered at or through the NEIGHBORHOOD BARRE Studio and for the equipment, the Computer System, fitness class instruction, music that accompanies classes, means of selling or broadcasting fitness classes online, decor, displays, furniture, fixtures, inventory policies, employee attire, materials, forms, items, supplies and services used in connection with the Studio, upon 30 days prior written notice to the Franchisee. The Franchisee shall, throughout the term of this Agreement, remain in compliance and strictly adhere to all of the Franchisor's current standards and specifications for the NEIGHBORHOOD BARRE Studio as prescribed from time to time.

14.3 Inspections. The Franchisor shall have the right to examine the Studio, including exercise and fitness classes in progress, and the equipment, the Computer System, fixtures, merchandise, materials, supplies and services used or sold to ensure compliance with all standards and specifications set by the Franchisor. The Franchisor shall conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee. During the inspections conducted by the Franchisor, the Franchisor

shall have the right to: (i) videotape exercise and fitness classes, take photographs of the Franchised Location and the fitness instruction being provided; (ii) interview employees and customers of the Studio; (iii) take samples of products and items used or sold at the Studio for testing and analysis; (iv) make copies of books and records; and (v) require the Franchisee to immediately remove any unauthorized products or items from the Franchised Location. The Franchisor shall have the right to use such photographs and videotaped material in such a manner as it reasonably deems appropriate.

14.4 Restrictions on Services and Merchandise. The Franchisee is prohibited from offering or selling any type of services or merchandise not authorized by the Franchisor as being a part of the Licensed Methods. If the Franchisee proposes to offer, conduct or utilize any services, merchandise, materials, forms, items or supplies for use in connection with or sale through the Studio that are not previously approved by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing and request approval from the Franchisor. The Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, the Franchisor may require submission of specifications, information, or samples of such services, merchandise, materials, forms, items or supplies. The Franchisee shall pay or reimburse the Franchisor for the reasonable costs of investigation in determining whether such services, merchandise, materials, forms, items or supplies meet the Franchisor's specifications. The Franchisor will advise the Franchisee within a reasonable time whether such instructional methods, services, merchandise, materials, forms, items or supplies meet its specifications and if the Franchisee is approved to offer, conduct, or utilize the same.

14.5 Approved Suppliers. The Franchisee shall purchase all services, merchandise, supplies, equipment, computer hardware and software, insurance and materials required for the operation of the NEIGHBORHOOD BARRE Studio from the Franchisor, from the Franchisor's affiliates, from suppliers designated or approved by the Franchisor or, if there is no designated or approved supplier for a particular service, item of merchandise, supply, piece of equipment, computer hardware and software, type of insurance or material, from such other suppliers who meet all of the Franchisor's specifications and standards as to quality, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the NEIGHBORHOOD BARRE Studio. The Franchisor reserves the right to designate from time to time, a single supplier for any products, equipment, computer hardware, software, materials, supplies or services and to require the Franchisee to use such designated supplier exclusively, which exclusive designated supplier may be the Franchisor or its affiliates. The Franchisor and its affiliates may receive payments from suppliers on account of such suppliers' dealings with the Franchisee and other franchisees and may use all such amounts without restriction and for any purpose the Franchisor and its affiliates deem appropriate (unless the Franchisor and its affiliates agree otherwise with the supplier).

14.6 Request to Approve Supplier. In the event the Franchisee desires to purchase or use merchandise, equipment, services, supplies or materials from suppliers other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing from or otherwise utilizing any supplier, give the Franchisor a written request to approve the supplier. In the event the Franchisor rejects the Franchisee's requested new supplier, the Franchisor must, within 30 days of the receipt of the Franchisee's request to approve the supplier, notify the Franchisee in writing of its rejection. The Franchisor may continue from time to time to inspect any suppliers' facilities and products to assure compliance with the Franchisor's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. The Franchisor may at its sole discretion, for any reason whatsoever, elect to withhold approval of the supplier; however, in order to make such determination, the Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use. A charge not to exceed the reasonable cost of investigation may be made by the Franchisor and shall be paid by the Franchisee.

14.7 Shopping Service. The Franchisor reserves the right to use third party shopping services from time to time to evaluate the operation and quality of the Franchisee's NEIGHBORHOOD BARRE Studio, including such things as quality of client instruction, client relations, merchandise availability, customer service, cleanliness, exercise and fitness instruction, knowledge and expertise, and proper use of computers and the Computer System. The Franchisor may use shopping services to inspect the Franchisee's NEIGHBORHOOD BARRE Studio or Franchised Location at any time at the Franchisor's expense, without prior notification to the Franchisee. The Franchisor may, but need not, make the results of any such service evaluation available to the Franchisee, in the Franchisor's sole discretion.

15. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

15.1 Marks. The Franchisee acknowledges that the Franchisor or a company affiliated with or contractually obligated to the Franchisor has the right to license and control the Franchisee's use of the "NEIGHBORHOOD BARRE" service mark and other of the Marks, and that such Marks shall remain under the ownership and control of the Franchisor or a company affiliated with or contractually obligated to the Franchisor. The Franchisee acknowledges that it has not acquired any right, title or interest in the Marks except for the right to use such marks in the operation of its NEIGHBORHOOD BARRE Studio as it is governed by this Agreement. The Franchisee agrees not to use any of the Marks as part of an electronic mail address, unless expressly permitted by the Franchisor, or on any sites on the Internet and the World Wide Web and the Franchisee agrees not to use or register any of the Marks as a domain name on the Internet.

15.2 No Use of Other Marks. The Franchisee agrees that no service mark other than "NEIGHBORHOOD BARRE" or such other Marks as may be specified by the Franchisor shall be used in the identification, marketing, promotion or operation of the NEIGHBORHOOD BARRE Studio.

15.3 Licensed Methods. The Franchisee acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the NEIGHBORHOOD BARRE Studio and all related licensed methods of doing business, previously defined as the "Licensed Methods," which include, but are not limited to, standards and specifications for the services and merchandise offered at or through the NEIGHBORHOOD BARRE Studio; instructional methods; technology systems; studio design; exercise equipment specifications and capabilities; client relations; marketing techniques; written promotional materials; advertising; and customized software, all of which constitute confidential trade secrets of the Franchisor, and the Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee acknowledges and agrees that it will promptly notify the Franchisor about any and all modifications or additions to the Licensed Methods or new instructional techniques and improvements in the NEIGHBORHOOD BARRE Studio developed by the Franchisee and that all such modifications or additions shall inure solely to the benefit of the Franchisor and may be adopted by the Franchisor and incorporated into the Licensed Methods without the Franchisor owing any compensation to the Franchisee. The Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the NEIGHBORHOOD BARRE Studio as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the Licensed Methods in accordance with Section 21.3 below.

15.4 Mark Infringement. The Franchisee agrees to notify the Franchisor in writing of any possible infringement of or claim of right to a trademark the same as or confusingly similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor may commence or prosecute such action in the Franchisor's own name and may join the Franchisee as a party to the action if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. The Franchisor shall bear

the reasonable cost of any such action, including attorneys' fees. The Franchisee agrees to fully cooperate with the Franchisor in any such litigation.

15.5 Franchisee's Business Name. The Franchisee acknowledges that the Franchisor has a prior and superior claim to the "NEIGHBORHOOD BARRE" trade name. The Franchisee shall not use the word "NEIGHBORHOOD BARRE" in the legal name of its corporation, partnership or any other business entity used in conducting the business provided for in this Agreement. The Franchisee also agrees not to register or attempt to register a trade name or domain name using the word "NEIGHBORHOOD BARRE" in the Franchisee's name or that of any other person or business entity, without the prior written consent of the Franchisor. The Franchisee shall not identify itself as being "NEIGHBORHOOD BARRE" or as being associated with the Franchisor in any manner other than as a franchisee or licensee. The Franchisee further agrees that in all advertising and promotion and promotional materials it will display its business name only in obvious conjunction with the phrase "NEIGHBORHOOD BARRE Franchisee" or with such other words and in such other phrases to identify itself as an independent owner of the NEIGHBORHOOD BARRE Studio, as may from time to time be prescribed in the Operations Manual.

15.6 Change of Marks. In the event that the Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue the use of any proprietary Marks, or to develop additional or substitute marks, the Franchisee shall, within a reasonable time after receipt of written notice of such a modification or discontinuation from the Franchisor, take such action, at the Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution.

15.7 Creative Ownership. All copyrightable works created by the Franchisee or any of its owners, officers or employees in connection with the Studio shall be the sole property of the Franchisor. The Franchisee assigns all proprietary rights, including copyrights, in these works to the Franchisor without additional consideration. The Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights, trademarks and trade secrets developed in part or in whole in relation to the Studio, during the term of this Agreement, as the Franchisor may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, trademarks, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to the Franchisor all right, title, and interest in said property. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Studio which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, the Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable, directly or indirectly related to the Studio, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of the Franchisor.

15.8 Alterations for Protection of Marks. The Franchisor may, in its sole discretion, but with reasonable notice to the Franchisee, enter into the Franchised Location to make any alterations required for the protection of the Marks and Licensed Methods.

16. REPORTS, RECORDS AND FINANCIAL STATEMENTS

16.1 Franchisee Reports. The Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems which conform to the specifications which the Franchisor may prescribe from time to time. Each transaction of the Studio shall be processed in the manner prescribed by the Franchisor. The Franchisor shall have the right of access to all data with respect to the Studio. The Franchisee shall provide access to the data to the Franchisor by installing a modem or joining and paying for a high-speed electronic network connection service which meets the Franchisor's standards

and specifications. The Franchisee shall supply to the Franchisor such types of reports in a manner and form as the Franchisor may from time to time reasonably require, including:

a. Periodic summary reports in a form prescribed by the Franchisor, delivered electronically no later than the Due Date as often as the Due Date occurs, or otherwise transmitted as the Franchisor may designate and containing information relative to the previous reporting period's sales, operations and advertising and marketing;

b. Financial statements, prepared in accordance with United States Generally Accepted Accounting Principles ("**GAAP**"), and consisting of a quarterly profit and loss statement and balance sheet for the NEIGHBORHOOD BARRE Studio, electronically transmitted to the Franchisor no later than the Due Date following the end of each of the Franchisee's fiscal quarters, based on operating results of the quarter, which will be submitted in a form approved by the Franchisor and will be certified by the Franchisee to be correct;

c. The Franchisee will, within 120 days after the end of its fiscal year, provide to the Franchisor annual unaudited financial statements, compiled or reviewed by an independent certified public accountant in good standing and prepared in accordance with GAAP, and state and federal income tax returns; and

d. The Franchisee shall also provide copies of all other reports, financial statements and records reasonably requested by the Franchisor.

The Franchisor reserves the right to disclose data derived from such reports, without identifying the Franchisee, except to the extent identification of the Franchisee is required by law. The Franchisee consents to the Franchisor obtaining financial and account information regarding the Studio and its operations from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor.

16.2 Verification. Each report and financial statement to be submitted to the Franchisor pursuant to this Agreement shall be signed and verified by the Franchisee.

16.3 Books and Records. The Franchisee shall maintain all books and records for its NEIGHBORHOOD BARRE Studio in accordance with GAAP, consistently applied, and in a manner as reasonably prescribed by the Franchisor and shall preserve these records for at least five years after the fiscal year to which they relate.

16.4 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the NEIGHBORHOOD BARRE Studio at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1.5% per month or the maximum rate allowed by law. In the event such inspection or audit is made necessary by the Franchisee's failure to furnish required reports, supporting records or other information, or to furnish such information on a timely basis for two or more consecutive reporting periods, or if the Franchisee has received advance notice from the Franchisor and fails to have the books and records available for such audit or otherwise fails to cooperate therewith, or it is discovered during the audit that the Franchisee has underpaid Royalties or Advertising Contributions by more than 5%, the Franchisee shall reimburse the Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of the Franchisor's employees.

16.5 Failure to Comply with Reporting Requirements. If the Franchisee fails to prepare and submit any statement or report as required under this Article 16, then the Franchisor shall have the right to treat the Franchisee's failure as good cause for termination of this Agreement.

17. TRANSFER

17.1 Transfer by Franchisee. The rights granted herein are personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. The Franchisee acknowledges that prior to approving any transfer, the Franchisor may impose reasonable conditions on the Franchisee and its purported transferee including, but not limited to, those conditions listed in Section 17.2. As used in this Agreement, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, merger, consolidation, exchange, or other disposition by the Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee if the Franchisee is an entity or consists of more than one individual; or (3) the Studio or any assets of the Studio. An assignment, sale, gift or other disposition shall include a transfer resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, consolidation, exchange, public or private offering of stock or other ownership interests in any entity, merger, or otherwise by operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee, by will, declaration of or transfer in trust or under the laws of intestate succession.

17.2 Pre-Conditions to Franchisee's Transfer. The Franchisee shall not transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it or all or a substantial portion of the assets of the NEIGHBORHOOD BARRE Studio, unless the Franchisee obtains the Franchisor's written consent and complies with the following requirements:

a. Payment of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its affiliates or to third parties holding a security interest in any asset of the franchised business;

b. Agreement by the proposed transferee to satisfactorily complete the initial training program described in this Agreement;

c. Execution of a Franchise Agreement in a form then currently offered by the Franchisor, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee;

d. Provision by the Franchisee of written notice to the Franchisor 30 days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer. If the Franchisee is an entity and one or more owners of the Franchisee entity wish to transfer, sell, assign, or otherwise dispose of his or her interest in the Franchisee entity or if the Franchisee entity wishes to make a public or private offer of its stock or other ownership interests, the Franchisee must submit to Franchisor at least 30 days in advance of the proposed effective date, and obtain the Franchisor's prior written approval of, the documents effectuating the transfer, sale, assignment, offering or disposition;

e. The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business and exercise and fitness training experience, aptitude and financial qualifications, and the Franchisor shall have ascertained that the proposed transferee meets such qualifications;

f. Execution by the Franchisee of a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;

g. Payment by the Franchisee or the proposed transferee of $12,500 plus $5,000 for the transfer of each development right under a Development Agreement; and

h. Agreement by the Franchisee to abide by the post-termination covenant not to compete set forth in Section 21.2 below.

17.3 The Franchisor's Approval of Transfer. The Franchisor has 30 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of the Franchisee's proposed transfer. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. The Franchisor shall have the right to approve the material terms and conditions of the transfer, including, without limitation, the right to confirm that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the Studio. If the Franchisee (and/or the transferring owners) finance any part of the sale price of the transferred interest, if any, unless waived in writing by the Franchisor, the Franchisee and/or its owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by the Franchisee or its owners in the assets of the Studio or the Franchised Location shall be subordinate to the transferee's obligations to pay Royalty fees, Advertising Contributions and other amounts due to the Franchisor and its affiliates and to otherwise comply with this Agreement. Additionally, the Franchisor shall have the right to interview the proposed transferee as part of the Franchisor's approval process and the Franchisee agrees that the Franchisor shall have the right to discuss matters related to the performance of the Studio with such proposed transferee. If the Franchisee and the proposed transferee comply with all conditions for transfer set forth herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within the 30-day period, approval is deemed granted.

17.4 Right of First Refusal. In the event the Franchisee wishes to engage in a transfer, the Franchisee agrees to grant to the Franchisor a 30-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to the Franchisee by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

a. The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 17.2.d above), enclosing a copy of the written offer from the proposed transferee;

b. The 30-day right of first refusal period will commence concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

c. Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 30-day right of first refusal shall be given to the Franchisor;

d. If the consideration or manner of payment offered by a third party is such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, each of the Franchisor and the Franchisee shall designate an

independent appraiser who, in turn, shall designate a third independent appraiser. The third appraiser's determination will be binding upon the parties. All expenses of the third appraiser shall be paid for equally between the Franchisor and the Franchisee;

e. If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the transfer, subject to compliance with Sections 17.2 and 17.3 above. Absence of a reply to the Franchisee's notice of a proposed transfer within the 30-day period will be deemed a waiver of such right of first refusal; and

f. The Franchisor shall have the right to assign its right of first refusal to another party including, but not limited to, any affiliate or other franchisee of the Franchisor.

17.5 Specific Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed transfer, and all other requirements and rights related to such proposed transfer, as provided for above, shall apply (1) if the Franchisee is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership interest among existing partners or members; (2) if the Franchisee is a corporation or limited liability company, to any proposed transfer of 25% or more of the ownership interest of the Franchisee, whether such transfer occurs in a single transaction or several transactions; and (3) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation or limited liability company owned by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of ownership interests which would affect a change in ownership of 25% or more of the ownership interest in the company being conditioned on the Franchisor's prior written approval; (iii) a limitation on the entity's business activity to that of operating the NEIGHBORHOOD BARRE Studio and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in subsection (3) of this Section, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

17.6 Assignment by the Franchisor. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

17.7 Franchisee's Death or Disability. Upon the death or permanent disability of the Franchisee (or the individual controlling the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer the Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 17. Provided, however, that for purposes of this Section 17.7, there shall be no transfer fee charged by the Franchisor. Failure to transfer the interest in this Agreement or such interest in the Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the NEIGHBORHOOD BARRE Studio for a period of 120 days from the onset of such disability, impairment or condition.

18. TERM AND EXPIRATION

18.1 **Term**. The term of this Agreement is for a period of 10 years from the date of this Agreement, unless sooner terminated as provided herein.

18.2 **Continuation**. If, for any reason, the Franchisee continues to operate the Studio beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days' notice or as required by law. If said holdover period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any holdover period, the Franchisee and those in active concert with the Franchisee, including family members, officers, directors, partners and managing agents, are subject to the terms of Articles 19 and 21 and Section 20.3 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

18.3 **Rights Upon Expiration**. At the end of the initial term hereof the Franchisee shall have the option to renew its franchise rights for one additional term of 10 years, by acquiring successor franchise rights, if the Franchisor does not exercise its right not to offer a successor franchise in accordance with Section 18.5 below and if the Franchisee:

a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor;

b. Has been in "substantial compliance" with all provisions of this Agreement during the current term of the Agreement, including the payment on a timely basis of all Royalties and other fees due hereunder and is then in compliance with the Agreement at the time of renewal. "Substantial compliance" during the term shall mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder more than three times during the term hereof;

c. Upgrades or remodels the NEIGHBORHOOD BARRE Studio and its operations at the Franchisee's sole expense (the necessity of which shall be in the sole discretion of the Franchisor) to conform with the then current Operations Manual;

d. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement; and

e. Pays a successor franchise fee of $7,500.

18.4 **Exercise of Option for Successor Franchise**. The Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to the Franchisor not later than 180 days prior to the scheduled expiration of this Agreement. The Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor.

18.5 **Conditions of Refusal**. The Franchisor shall not be obligated to offer the Franchisee a successor franchise upon the expiration of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. The Franchisor shall give the Franchisee notice of expiration at least 180 days prior to the expiration of the term (unless such refusal is due to the Franchisee's failure to comply with Section 18.3, subsections a., c., d. or e. thereof, later than that time), and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, the Franchisee shall comply with the provisions of Section 19.4 below.

19. DEFAULT AND TERMINATION

19.1 Termination by the Franchisor - Effective Upon Notice. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by the Franchisee, addressed as provided in Section 25.11, upon the occurrence of any of the following events:

a. **Abandonment**. If the Franchisee ceases to operate the NEIGHBORHOOD BARRE Studio or otherwise abandons the NEIGHBORHOOD BARRE Studio for a period of five consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the NEIGHBORHOOD BARRE Studio, unless and only to the extent that full operation of the NEIGHBORHOOD BARRE Studio is suspended or terminated due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

b. **Insolvency; Assignments**. If the Franchisee becomes insolvent or is adjudicated bankrupt; or any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by the Franchisee;

c. **Unsatisfied Judgments; Levy; Foreclosure**. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's Studio or any of the property used in the operation of the NEIGHBORHOOD BARRE Studio and is not discharged within five days; or if the real or personal property of the Franchisee's Studio shall be sold after levy thereupon by any sheriff, marshal or constable;

d. **Criminal Conviction**. If the Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

e. **Failure to Make Payments**. If the Franchisee fails to pay any amounts due the Franchisor or affiliates, including any amounts which may be due as a result of any merchandise purchases by the Franchisee from or through the Franchisor or its affiliates, within 10 days after notice that such fees or amounts are overdue;

f. **Misuse of Marks**. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within 10 days after notification from the Franchisor;

g. **Unauthorized Disclosure**. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

h. **Repeated Noncompliance**. If the Franchisee has received two previous notices of default from the Franchisor and is again in default of this Agreement within a 12-month period, regardless of whether the previous defaults were cured by the Franchisee; or

i. **Unauthorized Transfer**. If the Franchisee transfers the franchise, an interest in the Franchise or the Franchisee entity, this Agreement, the NEIGHBORHOOD BARRE Studio, the

Franchised Location, or a substantial portion of the assets of the NEIGHBORHOOD BARRE Studio owned by the Franchisee, without complying with the provisions of Article 17 above.

19.2 Termination by the Franchisor - Thirty Days' Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days' written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30-day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30-day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards**. The Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee;

b. **Deceptive Practices**. The Franchisee engages in any unauthorized business or practice or sells any unauthorized products or services under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;

c. **Failure to Obtain Consent**. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

d. **Failure to Comply with Manual**. The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual; or

e. **Breach of Related Agreement**. The Franchisee defaults under any term of the lease for the Franchised Location, any sublease for the Franchised Location, any other agreement material to the NEIGHBORHOOD BARRE Studio or any other Franchise Agreement, Development Agreement or other agreement of any kind between the Franchisor or its affiliates and the Franchisee and such default is not cured within the time specified in such lease, sublease or other agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30-day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30-day period, the Franchisee shall be given an additional reasonable period of time, but not more than 90 days to cure the same, and this Agreement shall not automatically terminate without written notice from the Franchisor.

19.3 Right to Purchase. Upon termination or expiration of this Agreement for any reason, the Franchisor shall have the option to purchase the NEIGHBORHOOD BARRE Studio or a portion of the assets of the Studio, which may include, at the Franchisor's option, all of the Franchisee's interest, if any, in and to the real estate upon which the NEIGHBORHOOD BARRE Studio is located, and all buildings and other improvements thereon, including leasehold interests, at fair market value, less any amount apportioned to the goodwill of the NEIGHBORHOOD BARRE Studio which is attributable to the Franchisor's Marks and Licensed Methods, and less any amounts owed to the Franchisor by the Franchisee. The following additional terms shall apply to the Franchisor's exercise of this option:

a. The Franchisor's option hereunder shall be exercisable by providing the Franchisee with written notice of its intention to exercise the option given to the Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of the franchise, in the case of non-renewal.

b. The Franchisor shall set the closing for the purchase of the NEIGHBORHOOD BARRE Studio to take place no later than 60 days after the termination or nonrenewal date. The Franchisor will pay the purchase price in full at the closing, or, at its option, in 12 equal consecutive monthly installments with interest at a rate of 8% per annum. The Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the NEIGHBORHOOD BARRE Studio or its assets by the Franchisor.

c. During the time after the Franchisor notifies the Franchisee of the exercise of the option but before the closing, the Franchisor has the right to obtain an independent appraisal of the fair market value of the assets being purchased and, if the Franchisor chooses to obtain an appraisal, each of the Franchisor and the Franchisee shall designate an independent appraiser who, in turn, shall designate a third independent appraiser. The third appraiser's determination will be binding on both parties. All expenses of the third appraiser shall be paid for by the Franchisor.

In the event that the Franchisor does not exercise the Franchisor's right to purchase the Franchisee's NEIGHBORHOOD BARRE Studio as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its NEIGHBORHOOD BARRE Studio; provided, however, that all appearances of the Marks are first removed in a manner approved in writing by the Franchisor.

19.4 <u>Obligations of Franchisee Upon Termination or Expiration</u>. The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay to the Franchisor all Royalties, Advertising Contributions, other fees, and any and all amounts or accounts payable then owed to the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including leases, between the parties;

b. Cease to identify itself as a NEIGHBORHOOD BARRE franchisee or publicly identify itself as a former franchisee or use any of the Franchisor's trade secrets, signs, symbols, devices, trade names, trademarks, or other materials;

c. Cease to identify the Franchised Location as being, or having been, associated with the Franchisor and, if deemed necessary by the Franchisor, paint or otherwise change the interior and exterior of the NEIGHBORHOOD BARRE Studio to distinguish it from a NEIGHBORHOOD BARRE Studio and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with the NEIGHBORHOOD BARRE Marks and Licensed Methods;

d. Deliver to the Franchisor all signs, sign-faces, advertising materials, proprietary or customized software programs, proprietary merchandise, exercise equipment, forms and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

e. Deliver to the Franchisor the Operations Manual and all other information, documents and copies thereof which are proprietary to the Franchisor;

f. Submit to the Franchisor all copies of the Studio client list and all related client and client instruction information as may be requested by the Franchisor;

g. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;

h. Notify the telephone company and all telephone directory publishers of the termination or expiration of the Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to the Franchisor or its designee. The Franchisee acknowledges that, as between the Franchisee and the Franchisor, the Franchisor has the sole rights to and interest in all telephone, or facsimile machine numbers and directory listings associated with any Mark. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, or facsimile machine numbers and directory listings relating to the NEIGHBORHOOD BARRE Studio to the Franchisor or its designee, should the Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive evidence of the Franchisor's exclusive rights in such telephone numbers and directory listings and the Franchisor's authority to direct their transfer;

i. If applicable, take such action as may be required to remove from the Internet all sites referring to the Franchisee's former Studio or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the Internet that refer to the Franchisee's former NEIGHBORHOOD BARRE Studio or any of the Marks; and

j. Abide by all restrictive covenants set forth in Article 21 of this Agreement.

19.5 Acknowledgement. In the event this Agreement is terminated by the Franchisor prior to its expiration as set forth in Sections 19.1 and 19.2 above, the Franchisee acknowledges and agrees that, in addition to all other available remedies, the Franchisor shall have the right to recover lost future Royalties during any period in which the Franchisee fails to pay such Royalties through and including the remainder of the then current term of this Agreement.

19.6 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

20. BUSINESS RELATIONSHIP

20.1 Independent Businesspersons. The parties agree that they each are independent businesspersons, their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and the Franchisee agree that neither of them will hold themselves out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other.

20.2 Payment of Third-Party Obligations. The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Franchisee, the Franchisee's property, the NEIGHBORHOOD BARRE Studio or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor).

20.3 Indemnification. The Franchisee agrees to indemnify, defend and hold harmless the Franchisor, its subsidiaries and affiliates, and their respective shareholders, directors, officers, members, managers, employees, agents, successors and assignees, (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this Section 20.3, any and all third party obligations described in Section 20.2 and any and all claims and liabilities directly or indirectly arising out of the operation of the NEIGHBORHOOD BARRE Studio or provision of client instruction or arising out of the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, "claims" shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

21. RESTRICTIVE COVENANTS

21.1 Non-Competition During Term. The Franchisee acknowledges that, in addition to the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, supply, operations, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and Licensed Methods. The Franchisee therefore agrees that, other than the NEIGHBORHOOD BARRE Studio licensed herein or authorized by separate agreement with the Franchisor, neither the Franchisee nor any of the Franchisee's officers, directors, members, managers, shareholders or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

b. perform services as a director, officer, member, manager, employee, consultant, representative, fitness or exercise instructor, agent or otherwise for a Competitive Business; or

c. divert or attempt to divert any business related to, or any customer or account of the NEIGHBORHOOD BARRE Studio, the Franchisor's business or any other NEIGHBORHOOD BARRE franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Franchisor, its affiliate, Neighborhood Barre, LLC, or any other affiliates to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or any business granting franchises or licenses to others to operate: (1) a training facility or other business deriving more than 10% of its gross receipts from exercise or fitness classes, including but not limited to dance conditioning, pilates, or isometric technique instruction; (2) a facility featuring a ballet barre and utilizing weights and/or resistance bands; or (3) a business that sells exercise or fitness equipment and merchandise. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

21.2 Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, the Franchisee and its officers, directors, members, managers, shareholders, and/or partners agree that, for a period of two years commencing on the effective date of termination or

expiration, or the date on which the Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders, or partners shall have any direct or indirect interest (through a member of any immediate family of the Franchisee or its Owners or otherwise) as a disclosed or beneficial owner, investor, partner, member, manager, director, officer, employee, consultant, representative or agent or in any similar capacity in any Competitive Business, defined in Section 21.1 above, located or operating within a 50 mile radius of the Franchised Location, or within a 50 mile radius of the premises of any other franchised, company or affiliate-owned NEIGHBORHOOD BARRE Studio. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. The Franchisee and its officers, directors, members, managers, shareholders, or partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

21.3 Confidentiality of Proprietary Information. The Franchisee and the Franchisor acknowledge that the distinctive business format, plans, methods, instruction techniques, software, data, processes, marketing systems, manuals, product formulas, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are proprietary and confidential ("**Confidential Information**"). Such Confidential Information is unique, exclusive property and a trade secret of the Franchisor and has valuable goodwill associated with it. The Franchisee acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor. It is understood that Confidential Information is deemed to include, without limitation, exercise and fitness instruction techniques and methods, client lists, vendor lists, any and all information contained in the Operations Manual, and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such techniques, methods, lists, written materials or information. The Franchisee further acknowledges that the Franchisor has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor has taken numerous precautions to guard the secrecy of the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Franchisor. Consequently, the Franchisee shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchisee's Studio, any of the Confidential Information of the Franchisor or its affiliates. The Franchisor and the Franchisee agree that the Confidential Information does not include information that is generally available to the public.

21.4 Confidentiality Agreement. The Franchisor reserves the right to require that the Franchisee cause each of its officers, directors, partners, shareholders, members, managers, employees and Principal Manager, and, if the Franchisee is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by the Franchisor.

21.5 Non-Disparagement. The Franchisee agrees that it shall not take any action or make any statements to any third parties that would constitute a criticism, denigration or disparagement of the Franchisor or its Licensed Methods or would tend to be injurious to the reputation or goodwill of the Franchisor or its Marks, or which in any manner may interfere with the business affairs or business relations of the Franchisor.

21.6 Interpretation. All parties to this Agreement acknowledge that this Article has been fully negotiated and has been entered into freely. If any provision of this Article 21 shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent so as to make the provision valid. This Article shall not be interpreted against either party as drafter.

22. INSURANCE

22.1 Insurance Coverage. The Franchisee shall procure from suppliers that may be designated by the Franchisor, maintain and provide evidence of (i) commercial general liability insurance for the Studio and its operations, including products liability, with a limit of not less than $1,000,000 per occurrence, $2,000,000 total combined single limit, or such greater limit as may be required by state law for non-bodily injury, sexual molestation and child abuse coverage; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) all-risk personal property insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the Franchised Location; (iv) business interruption insurance on a 12-month actual loss sustained basis; (v) fitness professional liability insurance of not less than $1,000,000; (vi) employee theft coverage of $25,000; (vii) cyber liability coverage; and (viii) if not covered by general liability insurance, coverage for indemnity obligations under this Agreement and Development Agreement, if applicable. The Franchisor reserves the right to require that the Franchisee obtain and maintain, in addition to all other policies of insurance, employment practices insurance in such amounts as may be reasonable for a NEIGHBORHOOD BARRE Studio. All of the required policies of insurance shall name the Franchisor as an additional insured and shall provide for a 30-day advance written notice to the Franchisor of cancellation. The Franchisor shall have the right upon 60 days prior written notice to the Franchisee to revise the coverage limits and type of insurance described in this Section 22.1.

22.2 Proof of Insurance Coverage. The Franchisee will provide proof of insurance to the Franchisor prior to commencement of operation of its NEIGHBORHOOD BARRE Studio. This proof will show that the insurer has been authorized to inform the Franchisor in the event any policies lapse or are cancelled. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement. In the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to demand that the Franchisee cease operations of the NEIGHBORHOOD BARRE Studio until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee.

23. DISPUTE RESOLUTION

23.1 Arbitration. Except for controversies, disputes or claims related to or based on enforcement of the rights of the Franchisor or its affiliates in the Marks, the enforcement of covenants not to compete or any lease of real estate, all controversies, disputes or claims between the Franchisor, the Franchisor Affiliates, and the Franchisee and the Franchisee Affiliates, arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) any Licensed Method, shall be submitted for binding arbitration to a Tennessee office of AAA on demand of either party. Such arbitration proceedings shall be conducted in Knoxville, Tennessee, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA, except as otherwise provided in this Agreement.

23.2 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys' fees and costs, in accordance with Section 25.7 of this Agreement, provided that the arbitrator shall not award exemplary or

punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The Franchisor and the Franchisee agree to be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. The parties further agree that, in connection with any such arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other party.

23.3 Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver. All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the "**FAA**") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement shall be interpreted under the laws of the state of Tennessee, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Tennessee, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, and/or the Franchisee Affiliates and the Franchisor, and/or the Franchisor Affiliates, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Tennessee or in Knoxville, Tennessee for any arbitration and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Tennessee or arbitration in Knoxville, Tennessee. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY**.

23.4 Injunctive Relief. Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee will each have the right in a proper case to obtain injunctive relief and any damages incidental thereto from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds in excess of a total of $1,000, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee. Any such action will be brought as provided in Section 23.3 above and the prevailing party shall be entitled to its costs and attorneys' fees.

24. SECURITY INTEREST

24.1 Security Interest. To secure payment and performance of the Obligations, defined below, the Franchisee grants to the Franchisor a continuing security interest in the following "**Collateral**" which shall consist of all of the following properties, assets and rights of the Franchisee: all goods (including inventory, equipment, furniture and signs), accounts, fixtures, and contract rights (including interests under all real and personal property leases) of or relating to the Studio, wherever located, now owned or hereafter acquired, and in all improvements, attachments, additions, accessions, replacements and substitutions thereto and proceeds and products therefrom.

24.2 Obligations. "**Obligations**" shall mean:

a. All obligations, including payments for inventory, equipment and supplies, obligations and payments under this Agreement and other agreements between the Franchisor, its affiliates and the Franchisee and other amounts and obligations owed to the Franchisor or its affiliates;

b. All expenditures of any kind or nature made by the Franchisor to preserve the Collateral, including, but not limited to, all amounts paid to discharge taxes, liens, security interests and any other encumbrances against the Collateral, and to repair any damage to the Collateral or otherwise preserve or maintain the Collateral and all insurance thereon;

c. All expenditures made or incurred by the Franchisor pursuant to the provisions of any credit agreements, any promissory notes and this Agreement; and

d. All other indebtedness, obligations and liabilities of the Franchisee to the Franchisor or its affiliates, direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising.

24.3 Authorization to File Financing Statements. The Franchisee hereby irrevocably authorizes the Franchisor at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to the Franchisor promptly upon the Franchisor's request. The Franchisee further agrees, at the request and option of the Franchisor, to take any and all other actions the Franchisor may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of the Franchisor to enforce, the Franchisor's security interest in any and all of the Collateral.

24.4 Possession of Collateral. Upon default and termination of the Franchisee's rights under this Agreement, the Franchisor shall have the immediate right to possession and use of the Collateral.

24.5 Remedies. Upon the occurrence of any event of default set forth above or upon the occurrence of any other default in payment or performance of any Obligations for which this security interest is granted, the Franchisor shall have, in addition to all other rights and remedies, the remedies of a secured party under the Uniform Commercial Code as then in effect in the state in which the Studio is located ("**UCC**"), regardless of whether the UCC applies to the security transactions covered by this Agreement, including, without limitation, the right to accelerate the maturity of the obligations, without notice or demand, and to take possession of the Collateral and any proceeds thereof wherever located. The Franchisee shall assemble the Collateral and make the Collateral and all records relating thereto available to the Franchisor at a place to be designated by the Franchisor that is reasonably convenient for both parties. If notice is required, the Franchisor shall give to the Franchisee at least five business days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition is to be made. The Franchisee hereby acknowledges that five business days' prior written notice of such sale or sales shall be reasonable notice. During the time that the Franchisor is in possession of the Collateral, and to the extent permitted by law, the Franchisor shall have the right to hold, use, operate, manage and control all or any part of the Collateral; to make all such repairs, replacements, alterations, additions and improvements to the Collateral as it may deem proper; and to demand, collect and retain all earnings, proceeds from such use and all other costs, expenses, charges, damage or loss by reason of such use.

25. MISCELLANEOUS PROVISIONS

25.1 Modification. The Franchisor or the Franchisee may modify this Agreement only upon execution of a written agreement between the two parties. The Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent to which the Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

25.2 Entire Agreement. This Agreement, including all exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. The Franchisee agrees and understands that the Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent franchise disclosure document provided to the Franchisee by the Franchisor or its representatives in connection with this Agreement. The Franchisee further acknowledges and agrees that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Franchisee's NEIGHBORHOOD BARRE Studio, or operational assistance other than as stated in this Agreement or in the most recent franchise disclosure document provided to the Franchisee by the Franchisor or its representatives in connection herewith. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

25.3 Delegation by the Franchisor. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

25.4 Effective Date. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. The effective date of this Agreement may be adjusted to an earlier date if the parties are signing it as a successor to an earlier franchise agreement in order to avoid giving the Franchisee a longer term under the successor franchise agreement if the term of the prior agreement was extended until the successor agreement became effective.

25.5 Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 days or 10 business days, whichever is applicable, during which time the Franchisee has had the opportunity to submit the same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

25.6 Payment of Taxes. The Franchisee shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Franchisee through sale, lease or otherwise (except for any taxes the Franchisor or its affiliates are required by law to collect from the Franchisee with respect to products purchased from the Franchisor and its affiliates), or on account of collection by the Franchisor, its affiliates or designees, of the initial franchise fee, Royalties,

Advertising Contributions, payment for inventory or any other payments made by the Franchisee to the Franchisor required under the terms of this Agreement.

25.7 **Attorneys' Fees**. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration or other proceeding as a result of such dispute.

25.8 **No Waiver**. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Franchisee shall be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right, or remedy.

25.9 **No Right to Set Off**. The Franchisee shall not be allowed to set off amounts owed to the Franchisor for Royalties, fees or other amounts due hereunder, against any monies owed to the Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Franchisee.

25.10 **Invalidity**. If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

25.11 **Notices**. All written notices required to be given under this Agreement shall be given in writing, by electronic mail, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the preamble to this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time. Notices shall be deemed delivered one business day after transmission by electronic mail; one business day after being placed in the hands of a commercial courier service for overnight delivery; or three business days after being deposited in the United States Mail, 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 in writing.

25.12 **Authorization to Communicate Electronically; Prompt Response Required**. By executing this Agreement, the Franchisee authorizes the Franchisor and its affiliates and approved suppliers, to communicate with the Franchisee electronically, including via electronic mail or text message, and unless a written communication is required, to communicate with the Franchisee via telephone, notwithstanding whether any or all of the Franchisee's telephone numbers appear on a state or federal do-not-call registry. The Franchisee acknowledges and agrees that it is critical to the efficient and successful administration of the franchise relationship that the Franchisee promptly responds to all communications from the Franchisor. Accordingly, the Franchisee agrees to respond within five business days to each communication from the Franchisor.

25.13 **Force Majeure**. "**Force Majeure**" means an event that prevents a party to this Agreement from performing that is not the fault of or within the reasonable control of the party claiming Force Majeure. Force Majeure includes acts of God, fires, strikes, war, terrorism, riot, governmental laws or restrictions, or any other similar event or cause rendering performance of the contract impossible. Except with respect to payment obligations, neither party shall be deemed to be in breach of this Agreement if a party's failure to perform its obligations results from Force Majeure and any delay resulting from Force Majeure will extend performance accordingly or excuse performance in whole or in part as may be reasonable. Force Majeure does not include the Franchisee's financial inability to perform, inability to obtain financing, inability to obtain permits or licenses or any other similar events unique to the Franchisee or to general

economic downturn or conditions. If the Franchisee is affected by an event of Force Majeure, it shall provide a prompt written request for relief to the Franchisor describing and setting forth the nature of the Force Majeure, an estimate as to its duration, and a plan for resuming full compliance with this Agreement. The Franchisor will have full discretion whether to grant or deny any request for relief. If the Franchisee fails to provide the required notice it shall be liable for failure to give such timely notice only to the extent of damage actually caused.

25.14 Electronic Signatures. The parties hereby acknowledge and agree that electronic signatures, in such form and manner as the Franchisor may prescribe from time to time, shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. The Franchisor and the Franchisee both (i) intend to be bound by the signatures (whether original or electronic) on any document sent or signed electronically, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

25.15 Cumulative Rights. The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy hereunder which the Franchisor or the Franchisee is entitled by law to enforce.

25.16 Anti-Terrorism Representation. The Franchisee represents to the Franchisor that it and all persons or entities holding any legal or beneficial interest whatsoever in the Franchisee are not included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224-Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended.

25.17 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

BARRE SKINNY, LLC

By:_____
Name:_____
Title:_____

FRANCHISEE

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

OR:

(if a corporation, LLC or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

EXHIBIT I
TO FRANCHISE AGREEMENT

ADDENDUM TO BARRE SKINNY, LLC
FRANCHISE AGREEMENT

1. **Protected Territory**. The Protected Territory described in Section 3.2 of the Agreement shall be:_____.

2. **Initial Franchise Fee**. The Initial Franchise Fee, described in Section 4.1 of the Agreement, is $_____.

3. **Grand Opening Marketing Campaign**. The minimum dollar amount for the grand opening marketing campaign pursuant to Section 13.6 of the Agreement shall be $_____.

4. **Acknowledgement**. By executing this and/or the Rider hereto, the Franchisee acknowledges that (i) the Franchisor's approval of the Franchised Location does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Franchised Location for a NEIGHBORHOOD BARRE Studio or for any other purpose and that the Franchisee's acceptance of a franchise for the operation of a NEIGHBORHOOD BARRE Studio at the Franchised Location is based on its own independent investigation of the suitability of the site and (ii) the Franchisor has complied with its obligations under the Agreement to assist the Franchisee by provision of criteria for the Franchised Location and determination of fulfillment of the requisite criteria for the Franchised Location.

Fully executed this ___ day of _____, 20__ .

BARRE SKINNY, LLC

By:_____
Name:_____
Title:_____

FRANCHISEE

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

OR:

(if a corporation, LLC or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

EXHIBIT I-1
TO FRANCHISE AGREEMENT

RIDER TO ADDENDUM - LOCATION APPROVAL

1. **Franchised Location**. The Franchised Location, set forth in Section 3.1 of the Agreement shall be: _____.

2. **Legal Address**. The business address for any notices mailed pursuant to Section 25.11 of the Agreement shall be changed to read as follows: _____.

3. **Protected Territory**. The Protected Territory described in Section 3.2 of the Agreement, shall be: _____.

Fully executed this ___day of _____, 20__.

BARRE SKINNY, LLC

By:_____
Name:_____
Title:_____

FRANCHISEE

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

OR:

(if a corporation, LLC or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

EXHIBIT II
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Agreement**") by BARRE SKINNY, LLC (the "**Franchisor**"), each of the undersigned guarantors hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the term of this Agreement, including renewals thereof, that the franchisee as that term is defined in the Agreement (the "**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against the Franchisee or any other person as a condition of liability; and

5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;

2. He or she shall render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so;

3. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person;

4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to the Franchisee 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 shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof;

5. He or she shall be bound by the restrictive covenants and confidentiality provisions contained in Article 21 of the Agreement and the indemnification provision contained in Section 20.3 of the Agreement; and

6. The arbitration, injunctive relief, governing law and jurisdiction provisions contained in Article 23 and the attorneys' fees provision contained in Section 25.7 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

7. **HE OR SHE WAIVES HIS OR HER RIGHT TO A TRIAL BY JURY.**

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

WITNESS	**GUARANTORS**
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT III
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee:_____

Trade Name (if different from above):_____

Form of Ownership
(Check One)

___ Individual ___ Partnership ___ Corporation ___ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state in which the Limited Liability Company was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

_____

_____

_____

_____

_____

_____

The Franchisee acknowledges that this Statement of Ownership applies to the NEIGHBORHOOD BARRE Studio authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

_____ _____

Date Name

EXHIBIT IV
TO FRANCHISE AGREEMENT

PERMIT, LICENSE AND CONSTRUCTION CERTIFICATE

The Franchisor and the Franchisee are parties to a Franchise Agreement dated _____, 20____ for the development and operation of a NEIGHBORHOOD BARRE Studio located at _____ (the "**NEIGHBORHOOD BARRE Studio**"). In accordance with Sections 5.7 of the Franchise Agreement, the Franchisee certifies to the Franchisor that the NEIGHBORHOOD BARRE Studio complies with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards including, but not limited to, the federal Americans with Disabilities Act and any similar state or local laws. The Franchisee has obtained all such permits and certifications as may be required for the lawful construction and operation of the NEIGHBORHOOD BARRE Studio, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee has obtained all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee acknowledges that it is an independent contractor and that the requirement of this certificate does not constitute ownership, control, leasing or operation of the Studio, but rather provides notice to the Franchisor that the Franchisee has complied with all applicable laws. The Franchisee asserts that the Franchisor may justifiably rely on the information contained in this certificate.

FRANCHISEE

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

OR:

(if a corporation, LLC or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

EXHIBIT V
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned depositor ("**Depositor**") hereby (1) authorizes BARRE SKINNY, LLC ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions.

Depository	Branch
City	State Zip Code
Bank Transit/ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

DEPOSITOR (Print Name)

By:
Its:
Date:

EXHIBIT VI
TO FRANCHISE AGREEMENT

CREDIT CARD PAYMENT AUTHORIZATION

I (We) _____ (Name of the Franchisee) authorize BARRE SKINNY, LLC ("**Company**") to charge the credit/debit card indicated below and authorize the credit card issuer to pay such account pursuant to Company's instructions.

This credit card payment authorization form is intended for use on a recurring basis. This authority is to remain in full force and effect until Company has received written notification from the Franchisee of its termination in such time and manner as to afford Company a reasonable opportunity to act on it.

Credit Card Type: ☐ VISA ☐ MC ☐ AMEX ☐ Other/Include Type

_____

Credit Card No.:_____ Expiration Date:_____

Name of Franchisee:_____

By:_____
Its:_____
Date:_____
Franchisee Address:_____
Phone:_____
Facsimile:_____

EXHIBIT C
(TO DISCLOSURE DOCUMENT)

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("**Agreement**") is made this ____ day of _____, 20_____ by and between _____, located at _____ (the "**Franchisee**"), and Barre Skinny, LLC, a Tennessee limited liability company, located at 4445 Kingston Pike, Knoxville, TN, 37919 (the "**Franchisor**").

RECITALS

A. The Franchisor has developed methods for establishing, operating and promoting studios ("**NEIGHBORHOOD BARRE Studios**" or "**Studios**") that offer classes that combine dance conditioning, pilates and isometric techniques to individuals of all experience and fitness levels using the trademark "**NEIGHBORHOOD BARRE**" and related trade names and trademarks ("**Marks**") and the Franchisor's proprietary methods of doing business, including the Franchisor's distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, operational standards and specifications, and various other proprietary methods of doing business ("**Licensed Methods**").

B. The Franchisee would like to use the Franchisor's Marks and Licensed Methods in connection with the development of a certain number of Studios in a specific geographical area as set forth herein. The Franchisor desires to grant the Franchisee, or an entity owned by the Franchisee or the Franchisee's owners ("**Approved Affiliate**"), the right to establish and operate such Studios under the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1. Development Area. The Franchisor grants to the Franchisee the right to develop and establish Studios using the Franchisor's Marks and Licensed Methods in the geographic area described in Exhibit A attached hereto (the "**Development Area**"). Except pursuant to Section 4.1 below, the Franchisor shall not establish, nor shall it license any other party to establish, Studios using the Marks and Licensed Methods anywhere within the Development Area for so long as this Agreement is in effect.

1.2. Franchisor's Reservation of Rights. The Franchisee acknowledges that the rights granted in this Agreement are non-exclusive and that the Franchisor, for itself and its affiliates, successors and assigns, reserves the rights, among others:

(a) to use the Marks at any location within and outside of the Development Area: (i) to identify, offer and sell products and services other than those which the Franchisee sells; (ii) to promote and market NEIGHBORHOOD BARRE Studios and related services and merchandise; and (iii) to identify, offer and sell products and services through alternative channels of distribution other than through NEIGHBORHOOD BARRE Studios, at any location, and on any terms and conditions as the Franchisor determines, including, but not limited to, the sale of products and services by way of the Internet, other electronic communications methods, catalog sales, telemarketing and other direct marketing sales, mail order, retail store display and wholesale;

(b) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to or the same as those which the Franchisee sells, whether in alternative channels of distribution or in connection with the operation of businesses which offer exercise or fitness classes and related equipment and merchandise, which businesses are the same as, or similar to, or different from NEIGHBORHOOD BARRE Studios, at any location including within the Development Area, and on any terms and conditions as the Franchisor determines; and

(c) to engage in any other activities not expressly prohibited by this Agreement.

1.3. Franchise Agreement – First Studio Developed. The parties acknowledge that the NEIGHBORHOOD BARRE Franchise Agreement, attached hereto as Exhibit B and by this reference incorporated herein, governing the operation of the Franchisee's first NEIGHBORHOOD BARRE Studio to be opened hereunder, is being executed concurrently with this Agreement. The Franchisee agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreement is a breach of this Agreement.

2. INITIAL FRANCHISE AND DEVELOPMENT FEES

2.1. Fees. Concurrently with the execution of this Agreement, the Franchisor acknowledges that in consideration of the development rights granted herein, the Franchisee has paid the sum of $35,000 representing payment of the full initial franchise fee for the first Studio to be developed hereunder, plus $15,000 of the discounted $25,000 initial franchise fee for the second and each of the remaining Studios to be developed ("**Development Fee**"). The Franchisee acknowledges that the Development Fee represents payment for the grant of the development rights and for a reserved Development Area and the Franchisor has fully earned the Development Fee upon receipt. The Franchisor will credit the $15,000 payment attributable to the second and each remaining Studio to be developed under this Agreement to the initial franchise fee due under the Franchise Agreement for such Studio. The $10,000 balance of the discounted initial franchise fee of $25,000 for the second and subsequent Studio to be developed will be due at the earlier of (1) the date set forth in Section 3.1 of this Agreement which is the deadline for development of that particular Studio; or (2) the date the Franchisee signs the Franchise Agreement for the Studio to be developed. All fees hereunder are nonrefundable once paid to the Franchisor and under no circumstances will the Franchisee be entitled to a refund, return or rebate of any portion of initial franchise fees paid hereunder.

3. DEVELOPMENT OBLIGATIONS

3.1. Development Schedule. The Franchisee agrees to develop the following number of Studios in the Development Area, including the Studio to be developed under the Franchise Agreement executed concurrently with this Agreement, in accordance with the following schedule ("**Development Schedule**"):

Development Deadline	Minimum Total Number of Studios Open for Business in the Development Area

The Franchisee agrees that time is of the essence with respect to compliance with the Development Schedule, payment of the balance of the initial franchise fees under Section 2.1 above and any and all other obligations to be performed by Franchisee hereunder.

3.2. Subsequent Franchise Agreements. The parties agree that a separate Franchise Agreement shall be executed by the parties to this Agreement for each Studio to be developed under this Agreement. The Franchise Agreement for the second and subsequent Studios will be executed by the development deadline set forth in the Development Schedule above. The Franchisee's failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of the Franchisor, be deemed a default under this Agreement and shall entitle the Franchisor to terminate this Agreement as further provided in Article 5 below. Each Franchise Agreement to be executed by the Franchisee for each Studio to be developed hereunder shall be in a form substantially similar to the Franchise Agreement being executed herewith, although the Franchisor reserves the right to change provisions of the Franchise Agreement to conform with the then current Franchise Agreement being offered to new franchisees of the Franchisor and the Franchisee acknowledges that the Franchise Agreements for Studios may differ. Notwithstanding the foregoing, the Franchisor agrees that it will not charge an initial franchise fee to the Franchisee which is greater than the amounts set forth herein. The Franchisee acknowledges that the Franchisor has the right, however, to charge then current rates for royalties, advertising contributions, products and services offered to the Franchisee in accordance with the Franchisor's then-current franchise agreement.

3.3. Managing Owner. For each Studio operated under a Franchise Agreement signed hereunder that will be owned by an entity owned by the Franchisee or its owners ("**Approved Affiliate**"), the Franchisee must identify one person who has a minimum of 15% ownership interest in the Approved Affiliate and who is (at all times) reasonably acceptable to the Franchisor (the "**Managing Owner**"), to supervise and direct the operation of that Studio. The Managing Owner must supervise and direct the operations of that Studio, but is not required to be engaged in the day-to-day operations of the Studio.

3.4. Site Selection. The Franchisee shall not, without the prior written approval of the Franchisor, enter into any contract for the purchase or lease of any premises for use as a NEIGHBORHOOD BARRE Studio. The Franchisor will assist the Franchisee in the selection and approval of locations for its Studios in accordance with the terms and conditions of the Franchise Agreements. The Franchisee acknowledges that the Franchisor has no obligation to select or acquire a location on behalf of the Franchisee.

3.5. Training Program. The Franchisee acknowledges that the Franchisor shall have the right, at the Franchisor's sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 6.1 of the Franchise Agreement executed concurrently herewith, for the second and each subsequent Studio developed under the terms of this Agreement. The Franchisee may also request additional assistance from the Franchisor in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Development Area. In the event that the Franchisor agrees to provide such assistance, in the Franchisor's sole discretion, the Franchisee agrees to pay all travel, lodging, living expenses, telephone charges and other identifiable expenses incurred in connection with such assistance, plus a fee based on daily or hourly time spent by any of the Franchisor's employees in connection with such assistance.

4. TERM AND TERMINATION

4.1. The term of this Agreement shall commence as of the date of execution hereof and shall end on the last Development Deadline set forth in Section 3.1 above. After expiration of the term, or earlier termination of this Agreement as provided below, the Franchisor shall have the right to establish, or license

any other party to establish Studios anywhere within the Development Area; provided, however, that the Franchisee's Protected Territory as defined in the Franchise Agreements executed hereunder will remain in effect for the term of the Franchise Agreements, unless sooner terminated.

4.2. Termination by Franchisee. This Agreement may be terminated by the Franchisee for any reason upon 60 days prior written notice to all parties, provided that the Franchisee will not be entitled to a refund of any fees paid hereunder under any circumstances.

4.3. Termination by Franchisor. This Agreement may be terminated by the Franchisor on 30 days prior written notice, such notice containing a right to cure such default, if applicable, in the event of any of the following:

(a) If the Franchisee defaults on any term or condition of this Agreement; including, without limitation, failure to open Studios, in accordance with the schedule set forth in Section 3.1 above; or

(b) In the event of any occurrence which would entitle the Franchisor to terminate any Franchise Agreement executed in furtherance of this Agreement.

This Agreement shall automatically terminate at the end of such 30-day notice period, unless the Franchisee cures the default set forth in such notice within said 30-day period.

4.4. Post-Termination Obligations. In the event of termination of this Agreement for any reason, the Franchisee shall remain subject to the provisions of Article 6 of this Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this Agreement which have not also been terminated.

5. ASSIGNMENT

5.1. Assignment by Franchisor. The Franchisor may transfer or assign its rights under this Agreement at any time upon notice to the Franchisee, provided that the Franchisor has fulfilled its obligations hereunder or has made adequate provisions therefor.

5.2. Assignment by Franchisee. Because the rights granted herein are personal to the Franchisee, the Franchisee shall not transfer, assign or convey this Agreement or any interest hereunder without the Franchisor's prior written consent which consent shall not be unreasonably withheld if the Franchisee complies with the transfer provisions of the Franchise Agreement most recently executed by the Franchisor and the Franchisee, which provisions shall be deemed to be incorporated herein by reference. The Franchisor reserves the right to require the transferee to sign the then-current form of Development Agreement with terms and conditions that may be negotiated between the parties depending on the circumstances of the transfer. The Franchisee is prohibited from granting a subfranchise hereunder. As used in this Agreement, the term "transfer" shall have the meaning set forth in the Franchise Agreement most recently signed by the Franchisor and the Franchisee. In addition to any conditions contained in this Agreement, the conditions for the Franchisor's approval of any transfer shall be the same as the conditions contained in the Franchise Agreement most recently executed by the Franchisor and the Franchisee, which provisions shall be deemed to be incorporated herein by reference.

5.3. Transfer Fee. In the event of any proposed sale, transfer or assignment by the Franchisee as described herein, the Franchisee or the proposed transferee shall pay to the Franchisor the standard transfer fee for each franchise to be transferred, as governed by the applicable Franchise Agreement

executed pursuant to this Agreement, plus $5,000 for every undeveloped franchise right for which no Franchise Agreement has been executed.

5.4. Franchisor's Right of First Refusal. In the event of any proposed sale, transfer or assignment of its rights under this Agreement or any interest in it or any part of the Franchisee entity, the Franchisee agrees to grant the Franchisor a 90-day right of first refusal to purchase such rights on the same terms and conditions as are contained in the most recently executed Franchise Agreement.

6. RESTRICTIVE COVENANTS

6.1. Restrictive Covenants. During the term and after the termination of this Agreement or any Franchise Agreement signed in furtherance of this Agreement, the Franchisee and its Approved Affiliates and their officers, partners, directors, managers, agents or employees who have completed the Franchisor's training programs or had access to the Operations Manual, as described in the Franchise Agreement, or the beneficial owners of a five percent or greater interest in the Franchisee or an Approved Affiliate and their respective immediate families, shall be subject to all restrictive covenants as set forth in the Franchise Agreement executed concurrently herewith, and in any nondisclosure and noncompetition agreements executed by the Franchisee, its Approved Affiliates, or their respective employees, owners, managers, members, partners, officers, directors, agents or representatives, which covenants by this reference are incorporated herein.

7. BUSINESS RELATIONSHIPS

7.1. Independent Contractor. During the term of this Agreement, the Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of the Franchisor. It is understood and agreed that no agency or partnership is created by this Agreement. As such, the Franchisee has no authority of any nature whatsoever to bind the Franchisor or incur any liability for or on behalf of the Franchisor or to represent itself as anything other than an independent contractor.

7.2. Indemnification. The Franchisee shall indemnify and hold harmless the Franchisor and its officers, directors, members, managers, agents and representatives ("**Indemnified Parties**") from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys' fees, from anyone whomsoever, directly or indirectly, arising or growing out of, or otherwise connected with the Franchisee's activities, actions or failure to act, under this Agreement or the Franchisee's operation of its Studios developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

8. MISCELLANEOUS

8.1. Disputes/Governing Law. The parties agree that any dispute between the parties arising out of the terms of this Agreement shall be governed by the applicable provisions of the Franchise Agreement executed concurrently herewith including the choice of law and venue provisions, which terms and conditions are by this reference incorporated herein. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

8.2. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

8.3. Review. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not fewer than 14 days or 10 business days, whichever is applicable, during which time the Franchisee has had the opportunity to submit the same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

8.4. No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

8.5. Modification. This Agreement may be modified only upon execution of a written agreement between the parties.

8.6. Entire Agreement. This Agreement, together with the Exhibits and the Franchise Agreements signed in conjunction with this Agreement, contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that any Franchise Agreement executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term thereof. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the franchise disclosure document, its exhibits and amendments.

8.7. Invalidity. If any provision of this Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

8.8. Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

8.9. Controlling Terms. In the event of any conflict between the terms of this Agreement and the terms of the Franchise Agreement, the terms of this Agreement shall control.

8.10. Attorneys' Fees and Costs. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration, mediation, or other proceeding as a result of such dispute, plus interest at the highest rate allowable by law, accruing from the date of such default.

8.11. Injunctive Relief. Nothing herein shall prevent the Franchisor or the Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first above written.

Date:_____ **BARRE SKINNY, LLC**

By:_____
Title:_____

Date:_____ **FRANCHISEE:**

_____
Individually

_____
Date:_____ Print Name

_____
Individually

_____
Print Name

OR (if a corporation or partnership)

_____
(Print Name)

Date:_____

By:_____
Its:_____

EXHIBIT A
TO DEVELOPMENT AGREEMENT
BETWEEN BARRE SKINNY, LLC
AND

_____

The Development Area, as referred to in Section 1.1 of the Development Agreement, is described below by geographic boundaries and on the attached map and shall consist of the following zip codes or areas:

_____

_____

_____

_____

EXHIBIT B
TO DEVELOPMENT AGREEMENT
BETWEEN BARRE SKINNY, LLC
AND

_____

Executed Franchise Agreement

EXHIBIT C
TO DEVELOPMENT AGREEMENT
BETWEEN BARRE SKINNY, LLC
AND

_____

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Development Agreement dated _____, 20__, (the "**Agreement**") by Barre Skinny, LLC (the "**Franchisor**"), each of the undersigned guarantors hereby personally and unconditionally:

1. Guarantees to the Franchisor and its successors and assigns, for the term of the Agreement, including renewals thereof, that the franchisee as that term is defined in the Agreement ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement; and

3. Waives the following: (a) acceptance and notice of acceptance by the Franchisor of the foregoing undertaking; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he or she may be entitled; and

4. Consents and agrees that: (a) his or her direct and immediate liability under this guaranty shall be joint and several; (b) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee 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 shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.

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

WITNESSES	**GUARANTORS**
_____	_____
_____	_____
_____	_____

EXHIBIT D
(TO DISCLOSURE DOCUMENT)

NEIGHBORHOOD BARRE
LIST OF FRANCHISEES
As of December 31, 2022

Name	Location	Company	Address	Telephone No.
ALABAMA				
Brenna Middleton	Gulf Shores	Barre South, LLC	4066 Muirfield Ct Gulf Shores, AL 36542	(251) 504-6441
Casey Browder	Troy	NB Troy, LLC	52 East Court Square Troy, Alabama 36081	(334) 372-4142
FLORIDA				
Elizabeth Diaz	Orlando	Nona Barre, LLC	Nona Barre, LLC 11954 Narcoossee Road, Suite 250, Orlando, FL 32827	(407) 747-0765
GEORGIA				
Kelsey Sarmiento	Newnan	NB Newnan, LLC	9 Jackson Street Newnan, GA 30263	(470) 400-5106
ILLINOIS				
Ashley Kieta	Oswego	raisethebarreosweg o, LLC	1559 Route – 34, Unit 1563, Oswego IL 60543	(630) 765-3886
KENTUCKY				
Richelle Puckett	Covington	Barre Covington LLC	421 West 6th Street, Covington KY 41011	(859) 447-7174
LOUISIANA				
Jessie Gerace	Baton Rouge	Baton Rouge Barre, LLC	10725 Misty Vale Avenue Baton Rouge, LA 70810	(225) 328-4550
MARYLAND				
Kristin Swistak	Severna Park	Raise the Barre, LLC	790 Ritchie Highway, Suite E32 Severna Park, MD 21146	(540) 421-2312
NEW YORK				
JulieAnn Hoerner Kimberly Szucs	Buffalo	JK Dream Chasers LLC	1020 Elmwood Avenue Buffalo, NY 14222	(716) 861-8833
NORTH CAROLINA				
Courtney Speicher	Prosperity	Speicher Development, LLC	9300 Browne Road, Charlotte, NC 28269	(704) 747-5985
Savannah Hopps	Durham	Bull City Barre, LLC	4711 Hope Valley Road, Suite 6B Durham, NC 27707	(984) 329-5418
Emma Kristine Graban (Krissy)	Fuquay Varina	KC Barre, LLC	2140 Fox Chapel Pl, Fuquay Varina, NC 27526	(336) 601-2690

Whitney Brockman	Greensboro	Brockman Holdings, LLC	702 Ruddy Duck Road Greensboro, NC 27455	(336) 944-2363
Samantha Horne	Concord	KTT Enterprise, LLC	2262 Sweet Pea Lane Harrisburg, North Carolina 28075	(704) 650-4465
TENNESSEE				
Kelly Phillips	Brentwood	Barreologie, LLC	7010 Executive Center Drive, Suite 102 Brentwood, Tennessee 37027	(615) 454-3785
Lynn Tweedie	Chattanooga	Sculpt and Tone, LLC	1222 Tremont St. Chattanooga, Tennessee 37405	(423) 883-0535
Meridith Stephens	Gallatin	East Nashville Barre Fitness, LLC	229 Bluegrass Drive, Hendersonville, TN 37075	(615) 920-9954
Shay Ingram	Farragut	Shaylyn Ingram Training LLC	11672 Parkside Drive Knoxville, Tennessee 37934	(423) 519-6026
Elizabeth Coffield	Maryville	JEC Ventures, LLC	108 S Maple Maryville, TN 37803	(865) 898-6031
Ashley Averwater	Memphis	Barrewater, LLC	5101 Sanderlin Avenue, Suite 108 Memphis, Tennessee 38117	(901) 295-9313
Tabatha Whaley Smith	Powell	Basic Ventures, LLC	207 E Emory Road, Suite 105 Powell, Tennessee 37849	(865) 441-0567
VIRGINIA				
Eileen McCarthy	Arlington	NOVA Fitness, LLC	1148 North Irving Street Arlington, Virginia 22201	(914) 715-8474

The following franchisees had signed a Franchise Agreement but not yet opened a Studio as of our most recent fiscal year end, December 31, 2022:

Name	Location	Company	Address	Telephone No.
IOWA				
Cynthia Nicolle Baxley,	Iowa City	Company to be formed	1650 Redbud Circle North Liberty, IA 52317	(865) 621-5977
TEXAS				
Abby Brown	Ft. Worth	Company to be formed	6020 Parker Blvd, Suite 110, North Richland Hills, TX 76180	

EXHIBIT E
(TO DISCLOSURE DOCUMENT)

NEIGHBORHOOD BARRE
FRANCHISED UNITS THAT HAVE CLOSED, TRANSFERRED, BEEN TERMINATED OR OTHERWISE LEFT THE SYSTEM DURING FISCAL YEAR 2022

The following NEIGHBORHOOD BARRE franchised units closed, transferred, terminated or otherwise left the system during fiscal year 2022. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Name	Location	Company	Address	Telephone No.
TENNESSEE				
Katie Sullivan	Farragut	Blondie Boss Babe, LLC	11672 Parkside Drive Knoxville, Tennessee 37934	(423) 519-6026
Kelly Phillips[1]	Nashville	Barreologie, LLC	2110 Crestmoor Road Suite 12 Nashville, Tennessee 37215	(615) 942-7123

Notes:

1. Kelly Phillips did not leave the system, but transferred ownership of this studio to a different owner in 2022. Ms. Phillips continues to operate another studio in Brentwood, TN.

EXHIBIT F
(TO DISCLOSURE DOCUMENT)

FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

and

AUDITED FINANCIAL STATEMENTS OF
BARRE SKINNY, LLC
FOR THE YEARS ENDED DECEMBER 31, 2022, DECEMBER 31, 2021
AND DECEMBER 31, 2020

Balance Sheet

Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)
Period Ended:	**Jun 30, 2023**
Reporting Period:	**Period 6**
Assets	
Operating Account #7033	52,049.62
Credit Card Clearing	-
Total Cash and Cash Equivalents	**52,049.62**
Transfers Clearing	-
Inventory	(9,950.00)
Intercompany - NB Knoxville	9,946.00
Intercompany - NB Greensboro	400.00
Total Other Current Assets	**396.00**
Total Current Assets	**52,445.62**
Leasehold Improvements	6,498.82
Equipment	80,244.99
Furniture & Fixture	11,971.42
Signage	81,279.00
Leasehold Improvements Depreciation	(552.98)
Computer Equipment Depreciation	(64.50)
Furniture & Fixture Depreciation	(20.82)
Total Property & Equipment	**179,355.93**
Owner investment	27,458.00
Software	21,952.50
Amortization	(6,600.00)

Balance Sheet

ceterus

Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)
Period Ended:	**Jun 30, 2023**
Reporting Period:	**Period 6**
Total Other Long-Term Assets	**42,810.50**
TOTAL ASSETS	**274,612.05**
Liabilities	
Total Accounts Payable	**-**
American Express #22005/#23003	4,085.85
Total Credit Cards	**4,085.85**
Total Other Current Liabilities	**-**
Total Current Liabilities	**4,085.85**
Total Long Term Liabilities	**-**
TOTAL LIABILITIES	**4,085.85**
Equity	
Beginning Owner Equity - Katy Branstetter	(54,612.69)
Owner Contributions	-
Owner Withdrawals	(2,906.86)
Retained Earnings	268,546.91
Net Income	59,498.84
Total Equity	**270,526.20**

Balance Sheet

Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)

Period Ended:	**Jun 30, 2023**
Reporting Period:	**Period 6**
TOTAL EQUITY	**270,526.20**
TOTAL LIABILITIES AND EQUITY	**274,612.05**

Profit And Loss

Store Number:	0064100000DyLq3
Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)
Period:	6
Start Date:	2023-01-01
End Date:	2023-06-30

	Period Jun 30, 23
Revenue from Operations	10,841.38
Other Nonrecurring Revenue	5,841.29
Product Sales	155,910.44
Total Revenue	**172,593.11**
Retail Product Costs	17,247.63
Total Cost of Goods/Services	**17,247.63**
Gross Profit	**155,345.48**
Total Personnel (Fixed Costs)	**-**
Contract Labor	45,651.90
Total Personnel (Other Costs)	**45,651.90**
Rent	6,500.00
Repairs & Maintenance	912.63
Total Facility	**7,412.63**
Total Insurance	**-**
General Advertising	17,996.03

Profit And Loss

Store Number:	0064100000DyLq3
Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)
Period:	6
Start Date:	2023-01-01
End Date:	2023-06-30

	Period Jun 30, 23
Total Marketing	**17,996.03**
Bank Service Charges	21.87
Software Fees	2,441.18
Licenses & Permits	3,426.75
Music/On Hold	94.01
Office Expenses	5,723.41
Postage & Delivery	628.32
Professional Fees - Accounting	1,646.49
Professional Fees - Legal	4,339.00
Telephone/Internet	3,877.64
Dues and Subscriptions	3,970.94
Total General and Administrative	**26,169.61**
Total Expenses	**97,230.17**
Net Operating Income	**58,115.31**
Total Other Income	**-**
Automobile Expense	937.25
Meals	1,725.21

Profit And Loss

Store Number:	0064100000DyLq3
Store:	FR - Neighborhood Barre Franchise (Closed through 05-31-2023)
Period:	6
Start Date:	2023-01-01
End Date:	2023-06-30

	Period **Jun 30, 23**
Travel	6,739.46
Taxes	27,100.00
Event Hosting	50.00
Ask Customer	(37,935.45)
Total Other Expenses	**(1,383.53)**
Net Income	**59,498.84**
EBITDA	**86,598.84**

BARRE SKINNY, LLC

FINANCIAL STATEMENTS

For The Years Ended December 31, 2022, 2021 and 2020

with
Independent Auditor's Report

BARNETT & STEGALL, LLC
Certified Public Accountants and Business Advisors

BARRE SKINNY, LLC

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BARNETT & STEGALL, LLC
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

To Management
Barre Skinny, LLC

We have audited the accompanying balance sheet of Barre Skinny, LLC (a Limited Liability Company) as of December 31, 2022 and 2021, and the related statements of income, member's equity, and cash flows for the years ended December 31, 2022, 2021 and 2020. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barre Skinny, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022, 2021 and 2020 in conformity with accounting principles generally accepted in the United States of America.

May 12, 2023

BARRE SKINNY, LLC

BALANCE SHEET

December 31, 2022 and 2021

ASSETS	As Of December 31, 2022		As Of December 31, 2021	
Current Assets				
Cash	$49,592		$35,106	
Accounts receivable, net	29,776		16,126	
Inventory	26,609		10,236	
Due from shareholder	10,759	$116,736	10,346	$71,814
Property and Equipment				
Property and equipment	45,715		45,715	
Less accumulated depreciation	15,808	29,907	8,216	37,499
Other Assets				
Organization costs, net of accumulated amortization of $20,142 and $17,606, respectively		5,214		7,749
Total Assets		**$151,857**		**$117,062**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$8,108		$7,779	
Accrued expenses	2,088	$10,196	8,745	$16,524
Member's Equity				
Member's equity		141,661		100,538
Total Liabilities and Member's Equity		**$151,857**		**$117,062**

The accompanying notes are an integral part of these statements.

BARRE SKINNY, LLC

STATEMENTS OF INCOME

For The Years Ended December 31, 2022, 2021 and 2020

	Years Ended								
	December 31, 2022			December 31, 2021			December 31, 2020		
Revenue									
Revenues		187,000	36.92%		$225,000	51.07%		$70,000	27.65%
Royalties and product sales		319,436	63.08%		215,530	48.93%		183,131	72.35%
Gross Revenue		**506,436**	**100.00%**		**440,530**	**100.00%**		**253,131**	**100.00%**
Direct Costs									
Product costs		**106,961**	**21.12%**		**18,104**	**4.11%**		**32,126**	**12.69%**
Gross profit		**399,475**	**78.88%**		**422,426**	**95.89%**		**221,005**	**87.31%**
Operating Expenses									
Marketing expense	$44,675			$75,877			$104,161		
Office overhead	310,179	354,854	70.07%	172,940	248,817	56.48%	84,551	188,712	74.55%
Operating Income		**44,621**	**8.81%**		**173,609**	**39.41%**		**32,293**	**12.75%**
Other Expense									
EIDL proceeds	-			-			5,000		
Other Income	-			4,620			1,532		
Interest income	413			-			405		
Contributions	-	413	0.08%	-	4,620	1.05%	(721)	6,216	2.46%
Net Income		**$45,034**	**8.90%**		**$178,229**	**40.46%**		**$38,509**	**15.20%**

The accompanying notes are an integral part of these statements.

BARRE SKINNY, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY

For The Years Ended December 31, 2022, 2021 and 2020

	Member's Equity
Balance, December 31, 2019	**$74,084**
Net income for year ended December 31, 2020	38,509
Member distributions for year ended December 31, 2020	(9,395)
Balance, December 31, 2020	**103,198**
Net income for the year ended December 31, 2021	178,229
Member distributions for year ended December 31, 2021	(180,889)
Balance, December 31, 2021	**100,538**
Net income for the year ended December 31, 2022	45,034
Member distributions for year ended December 31, 2022	(3,911)
Balance, December 31, 2022	**$141,661**

The accompanying notes are an integral part of these statements.

BARRE SKINNY, LLC

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2022, 2021 and 2020

	Years Ended					
	December 31, 2022		December 31, 2021		December 31, 2020	
Cash Flows from (to) Operating Activities						
Net income	$45,034		$178,229		$38,509	
Increase (decrease) in items not affecting cash						
Amortization	4,935		2,906		2,735	
Depreciation	5,192		4,935		1,855	
Changes in:						
Receivables	(13,650)		(6,263)		3,523	
Inventory	(16,373)		(5,126)		(904)	
Payables	329		3,165		2,606	
Deferred revenue	-		(15,000)		-	
Accrued expenses	(6,657)	$18,810	(1,074)	$161,772	1,266	$49,590
Cash Flows from (to) Investing Activities						
Cash used for equipment		-		(15,245)		(13,099)
Cash Flows from (to) Financing Activities						
Member distributions	(3,911)		(180,889)		(9,395)	
Due to member	(413)	(4,324)	312	(180,577)	(152)	(9,547)
Net Change in Cash		14,486		(34,050)		26,944
Cash, Beginning of Year		35,106		69,156		42,212
Cash, End of Year		$49,592		$35,106		$69,156

The accompanying notes are an integral part of these statements.

A Summary of Significant Accounting Policies

Nature of operations:

Bare Skinny, LLC (the Company) is a single member LLC organized in July 2014. The Company was formed as a franchisor to sell franchises of the Neighborhood Barre brand fitness studios int he United States. The Company began operations in August 2014.

The sole member of the Company also operates three Neighborhood Barre fitness studios through an affiliate entity in Knoxville, Tennessee.

Financial statement presentation:

The accompanying financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. While management presents comparative financial statements, accounting principles generally accepted in the United States of America require that disclosure details be primarily included only for the most recent period presented. Certain amounts may be reclassified to enhance comparability between the two periods presented.

Revenue recognition:

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* and subsequently issued additional related ASUs ("Topic 606"). Topic 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract
2. Identify performance obligations
3. Determine transaction price
4. Allocate transaction price
5. Recognize revenue

Generally, our contracts contain one performance obligation. The transaction price is the amount of consideration to which we expect to be entitled in exchange for transferring goods and services to the customer. The entire transaction price is attributable to that performance obligation. If a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract.

The Company recognizes revenue from initial franchise fees when the all material services or conditions relating to the franchise have been substantially performed or satisfied, which typically occurs when the owner of the franchise opens their studio. The initial franchise fee as of December 31, 2022 is $35,000. The Company recognizes franchise royalty fees, which are equal to 6% of gross franchisee revenues, and franchise transfer fees when earned. In addition, the Company recognizes revenue from the sale of merchandise when the transaction in complete, cash is collected and merchandise is delivered.

A Summary of Significant Accounting Policies (continued)

Accounts receivable:

The Company uses the allowance method to account for uncollectible accounts receivable. Management considers all receivables as of December 31, 2022 and 2021 collectible, therefore there is no balance in the allowance at the end of the each year.

Property and equipment:

Property and equipment are carried at cost. Expenditures for maintenance and repairs that do not significantly extend the useful lives of the assets are expensed as incurred, while major replacements and betterments are capitalized. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Cost of property sold or otherwise disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income currently.

Advertising expense:

Advertising costs are expensed as incurred. Advertising expense for year ended December 31, 2022, 2021 and 2020 totaled $31,591, $64,466 and $101,215, respectively.

Date of management's review:

Management has evaluated events and transactions occurring after the balance sheet date through May 12, 2023, which is the date the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of management's review substantially affect the amounts, presentation and disclosure of the accompanying financial statements.

Inventory:

Inventories consist of retail products and supplies which are valued at the lower of cost or market, where cost is determined on the first-in, first-out method of valuation.

Intangible assets:

Intangible assets consists of capitalized franchise development costs and are stated at cost, net of accumulated amortization. Amortization is determined using the straight line method over 10 years based in estimated useful life.

B Income Taxes

The Company has been organized as a single member Limited Liability Corporation. Under those provisions, the taxable income or loss of the Company is reported on the sole members personal income tax return. Deferred income taxes are the result of temporary differences between the recognition of income for tax returns and for the financial statements. The direct write-off method for accounts receivable is used for income tax returns while the allowance method is used for the financial statements, with no significant differences as of December 31, 2020. Accelerated depreciation methods are used for the income tax returns while the straight-line method is used for the financial statements. Accordingly, some tax return revenue and expense amounts differ from these financial statements.

The sole member files income tax returns for the year ended December 31, 2020 in the U.S federal jurisdiction. with no state income tax filing requirements in the sate of Tennessee. The sole member's tax returns for the years ended December 31, 2022, 2021 and 2020 are eligible for review by tax authorities. Interest and penalties related to income tax are expensed as incurred. No interest or penalties related to interest and penalties were charged to expense for the year ended December 31, 2022.

Generally Accepted Accounting Principles provides guidance on how uncertain tax positions should be recognized, measured, presented, and disclosed in the Company's financial statements. The Company's management has evaluated the implications of these standards and has not identified any uncertain tax positions for the Company; therefore, no contingent tax provisions are included in the accompanying financial statements.

C Concentration of Credit Risk

Management has evaluated the Company’s credit risk. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of temporary cash investments and accounts receivable.

The Company maintains cash balances at banks for general operations, payroll, and short-term investments. The amount of cash insured by the FDIC is based on whether an account is interest or non-interest bearing and whether the bank holding the account elected to participate in the FDIC Transaction Account Guarantee Program. At December 31, 2022, all of the Company's cash balances were fully insured by the FDIC. All receivables are considered fully collectible by management.

D Related Party Transactions

Due from shareholder:

As the Company continues to grow, working capital and daily cash requirements are available as a loan to the Company from the sole shareholder. Terms of this arrangement include interest accruing to the shareholder at a rate of 4.00% per annum on the average outstanding balance. As of December 31, 2022, accrued interest to the shareholder was $413. The outstanding balance due from the shareholder as of December 31, 2022 was $10,759.

E Statements of Cash Flows

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company did not engage in non-cash investing and financing activities during the years ended December 31, 2022, 2021 and 2020.

	December 31, 2022	December 31, 2021	December 31, 2020
Cost of equipment and improvements, net	$ -	$15,245	$13,099
Less amounts financed with debt	-	-	-
Cash paid for equipment and improvements	$ -	$15,245	$13,099
Cost of equipment disposed	-	-	-
Less accumulated depreciation	-	-	-
Adjusted carrying value of equipment sold	-	-	-
Proceeds from sale	-	-	-
Gain (loss) on sale of equipment	-	-	-

The Company paid cash during the year for the following:

Cash paid for interest (net of amount capitalized)	$ -	$ -	$ -
Cash paid for income taxes	-	-	-

F Franchise Agreements

The Company enters into franchise agreements for each franchise sold. Under the terms of the agreement, the franchisee is required to pay an initial franchise fee in addition to the weekly royalty and cooperative advertising payments based on the terms of the agreement. Each franchise agreement is for a term of 10 years.

From inception through December 31, 2022, the Company has sold twenty-four one franchises.

EXHIBIT G
(TO DISCLOSURE DOCUMENT)

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EXHIBIT H
(TO DISCLOSURE DOCUMENT)

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (the "**Agreement**") is made and entered into effective the _____ day of _____, 20___ by and between Barre Skinny, LLC, a Tennessee limited liability company ("**Company**"), located at 4445 Kingston Pike, Knoxville, TN, 37919 and _____ ("**Associate**"), who resides at _____.

RECITALS

A. The Company has developed methods for establishing, operating and promoting studios ("**NEIGHBORHOOD BARRE Studios**" or "**Studios**") that offer classes that combine dance conditioning, pilates, and isometric techniques to individuals of all experience and fitness levels. Studios are established and operated under the trade name and service mark "NEIGHBORHOOD BARRE" and other logos, trademarks, service marks and commercial symbols (collectively, the "**Marks**");

B. The Company has developed a distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, operational standards and specifications, and various other proprietary methods of doing business, trademarks, proprietary Marks, information and know-how ("**Confidential Information**") and such Confidential Information as may be further developed from time to time by the Company;

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of services and products available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, employee or as a beneficial owner of a franchised NEIGHBORHOOD BARRE Studio (the "**Franchised Business**") pursuant to the terms of a Franchise Agreement between the Company and the party identified as the "Franchisee" at the end of this Agreement, or as an immediate family member of the Franchisee or a principal of or investor in the Franchisee or an Approved Affiliate and will become privileged as to certain Confidential Information; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Confidential Information. Associate and the Company acknowledge that the distinctive business format, plans, methods, instruction techniques, software, data, processes, marketing systems, manuals, product formulas, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are the Company's Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company and has valuable goodwill associated with it. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be

wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Company.

2. Operations Manuals as Trade Secrets. It is understood that Confidential Information is deemed to include, without limitation, exercise and fitness instruction techniques and methods, client lists, vendor lists, any and all information contained in the Operations Manual, and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such techniques, methods, lists, written materials or information, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such Confidential Information.

3. Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or Associate's Studio, any of the Confidential Information of the Company or its affiliates.

4. Noncompetition Covenant. Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, neither Associate nor any member of Associate's immediate family, shall:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

b. perform services as a director, officer, manager, employee, consultant, representative, agent, or similar position, for a Competitive Business; or

c. divert or attempt to divert any business related to, or any customer or account of the Franchised Business, the Company's business or any other franchisee's NEIGHBORHOOD BARRE Studio, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company, or any affiliates to any Competitive Business by any direct inducement or otherwise.

The term "Competitive Business" as used in this Agreement shall mean any business operating, or any business granting franchises or licenses to others to operate: (1) a training facility or other business deriving more than 10% of its gross receipts from exercise or fitness classes, including but not limited to dance conditioning, pilates, or isometric technique instruction; (2) a facility featuring a ballet barre and utilizing weights and/or resistance bands; or (3) a business that sells exercise or fitness equipment and merchandise. Notwithstanding the foregoing, the Associate shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

The term "**immediate family**" as used in this Agreement shall mean and include spouses, domestic partners, children, parents and siblings.

5. Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years commencing on the effective date of termination, transfer or expiration of the

Franchise Agreement for the Franchised Business, or for a period of two years after termination or cessation of Associate's relationship with the Franchised Business, whichever first occurs, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 10 mile radius of the Business Location, as defined in the Franchise Agreement governing the Franchised Business, or within 10 miles of any NEIGHBORHOOD BARRE Studio owned by the Company or an affiliate of the Company, or within 10 miles of any other franchised or licensed NEIGHBORHOOD BARRE Studio. The restrictions of this paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Associate and its officers, directors, shareholders, and/or partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living.

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than $500, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. Governing Law. This instrument shall be governed by and construed under the laws of the state of Tennessee.

11. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Tennessee, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Tennessee. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Tennessee. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability and Interpretation. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning time duration, geography, affected persons or breadth of activity

restrictions contained in Paragraphs 4 and 5 of this Agreement are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

BARRE SKINNY, LLC

By:_____
Title:_____

ASSOCIATE:

_____
Print Name:_____

NAME OF FRANCHISEE:

_____

ASSOCIATE'S CAPACITY WITH FRANCHISED BUSINESS:

_____
_____

LOCATION OF FRANCHISED BUSINESS

_____
_____

EXHIBIT I
(TO DISCLOSURE DOCUMENT)

RENEWAL AMENDMENT TO
NEIGHBORHOOD BARRE FRANCHISE AGREEMENT

Barre Skinny, LLC ("**Franchisor**") and _____ _____ ("**Franchisee**") are signing a NEIGHBORHOOD BARRE Franchise Agreement ("**Agreement**") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Renewal Amendment to NEIGHBORHOOD BARRE Franchise Agreement ("**Amendment**"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. Initial Franchise Fee. Section 4.1 is deleted in its entirety.

2. Franchisor's Development Assistance. Section 7.1 is deleted in its entirety.

3. Initial Training Program. Section 6.1 is deleted in its entirety.

4. Length of Training Program. Section 6.2 is deleted in its entirety.

5. Renewal Terms. In accordance with Section 18.3.c, Franchisee is required to upgrade its Business and services to conform with Franchisor's current standards and specifications as follows: _____ _____ _____.

6. Renewal Fee. In accordance with Section 18.3.e, Franchisor acknowledges receipt of $_____ from Franchisee in payment of the renewal fee.

7. Release. Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally release and discharge Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which Franchisee or Franchisee Affiliates may now have against Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 7(a) Release of Unknown Claims and Waiver of California Law. Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that Franchisee and Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is Franchisee's and Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(a) of this Addendum.

[APPLIES ONLY IN SOUTH DAKOTA] 7(b) Release of Unknown Claims and Waiver of South Dakota Law. Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Addendum, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Addendum. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Addendum, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on behalf of Franchisee) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(b) of this Addendum.

8. General. This Addendum shall be construed and enforced in accordance with, and governed by, the laws of the State of Tennessee. This Addendum embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof, and this Addendum may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Addendum is intended to disclaim any representations made by Franchisor in the most recent franchise disclosure document provided by Franchisor or its representatives to Franchisee in connection with any renewal. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Addendum may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Addendum shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Addendum as though originally included. The remaining provisions of this Addendum shall not be affected by such modification. All provisions of this Addendum are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

9. Inconsistent Terms. The terms and conditions of this Addendum are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this _____ day of _____, 20___.

BARRE SKINNY, LLC

By:_____
Its:_____

FRANCHISEE:

_____
_____, Individually

AND:

Company Name

_____
By:_____
Title:_____

EXHIBIT J
(TO DISCLOSURE DOCUMENT)

STATE ADDENDA AND RIDERS TO
THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT,
DEVELOPMENT AGREEMENT,
AND OTHER AGREEMENTS

ADDENDUM TO THE
BARRE SKINNY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement.

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

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

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

You are required to authorize the Franchisor complete access to your credit card bearing a minimum credit limit, as designated by the Franchisor. Your credit card will be used for all amounts owed to the Franchisor during the 10-year term of the Franchise Agreement. Your failure to maintain a credit card with limits set by the Franchisor will constitute a material breach under the Franchise Agreement.

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

RIDER TO THE
BARRE SKINNY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This Rider to the Franchise Agreement by and between Barre Skinny, LLC and Franchisee is dated _____, 20___.

1. Section 23.3. **Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver** is deleted in its entirety and the following is substituted in its place:Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, all matters regarding this Agreement shall be governed by Illinois law.

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

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

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

5. You are required to authorize the Franchisor complete access to your credit card bearing a minimum credit limit, as designated by the Franchisor. Your credit card will be used for all amounts owed to the Franchisor during the 10-year term of the Franchise Agreement. Your failure to maintain a credit card with limits set by the Franchisor will constitute a material breach under the Franchise Agreement.

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

BARRE SKINNY, LLC

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

By:_____
Title:_____

RIDER TO THE
BARRE SKINNY, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

This Rider to the Development Agreement by and between Barre Skinny, LLC and Developer is dated _____, 20___.

1. The second sentence of Section 8.1. **Disputes/Governing Law** is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, all matters regarding this Agreement shall be governed by Illinois law.

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

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

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

5. You are required to authorize the Franchisor complete access to your credit card bearing a minimum credit limit, as designated by the Franchisor. Your credit card will be used for all amounts owed to the Franchisor during the 10-year term of the Franchise Agreement. Your failure to maintain a credit card with limits set by the Franchisor will constitute a material breach under the Franchise Agreement.

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Development Agreement on the day and year first above written.

BARRE SKINNY, LLC

_____
DEVELOPER (Print Name)

By:_____ By:_____
Title:_____ Title:_____

ADDENDUM TO THE
BARRE SKINNY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. The following provisions supersede anything to the contrary included in Item 17 and apply to all Franchises offered and sold to residents of the State of Maryland or to be operated in the State of Maryland:

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

Pursuant to Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

You may bring any cause of action against us in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

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

RIDER TO THE
BARRE SKINNY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Rider to the Franchise Agreement by and between Barre Skinny, LLC and Franchisee is dated _____, 20____.

1. The following statement is added at the end of Sections 17.2.f. **Pre-Conditions to Franchisee's Transfer** and 18.3.d. **Rights Upon Expiration**:

Provided, however, that the provision requiring the execution of a general release will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

2. The following statement is added at the end of Section 23.3. **Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver:**

The Franchisee may commence any cause of action against the Franchisor in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. The following statement is added to the end of Sections 25.1. **Modification** and 25.18 **Acknowledgement**:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

BARRE SKINNY, LLC

By:_____
Title:_____

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

RIDER TO THE
BARRE SKINNY, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

This Rider to the Development Agreement by and between Barre Skinny, LLC and Developer is dated _____, 20___.

1. The following statement is added at the end of Section 8.1. **Disputes/Governing Law:**

The Developer may commence any cause of action against the Franchisor in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. The following statement is added to the end of Section 8.5. **Modification**:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Development Agreement on the day and year first above written.

BARRE SKINNY, LLC

_____
DEVELOPER (Print Name)

By:_____ By:_____
Title:_____ Title:_____

ADDENDUM TO THE
BARRE SKINNY, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for Franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for Franchisor approval of transfer":**

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by Franchisee":**

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of Forum",** and Item 17(w), titled **"Choice of Law":**

> The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

RIDER TO THE
BARRE SKINNY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

This Rider to the Franchise Agreement by and between Barre Skinny, LLC and Franchisee is dated _____, 20___.

1. The following sentence shall be added after the first sentence of Section 8.3:

   Any new or different requirement set forth in the Operations Manual shall not unreasonably increase the Franchisee's obligations or place an excessive burden on the Franchisee's operation of its NEIGHBORHOOD BARRE Franchise.

2. The following shall be added at the end of Section 17.2.f and Section 18.3.d:

   Provided however, that all rights enjoyed by the Franchisee and any causes of action arising in the Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provision of GBL 687.4 and 687.5 be satisfied.

3. The following shall be added at the end of Section 19.1:

   The Franchisee may terminate the Agreement upon any grounds available by law.

4. The following shall be added to Section 23.3:

   However, the foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the New York State General Business Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

BARRE SKINNY, LLC

By:_____
Title:_____

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
BARRE SKINNY, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF VIRGINIA

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

EXHIBIT K
(TO DISCLOSURE DOCUMENT)

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is made effective as of the ___ day of _____20___ by _____, individually and _____, a _____ [corporation/limited liability company] (collectively, "**Franchisee**") in favor of Barre Skinny, LLC, a Tennessee limited liability company ("**Franchisor**") (collectively referred to as "**Parties**"), who, on the basis of the following agreements, agree as follows:

A. The Parties have entered into that certain Franchise Agreement dated _____, 20__ ("**Franchise Agreement**"), which governs the development and operation of a NEIGHBORHOOD BARRE Studio ("**NEIGHBORHOOD BARRE Studio**" or "**Studio**") (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the NEIGHBORHOOD BARRE Studio or some or all of the assets of the Studio;

OR

B. The Franchisee desires to enter into a successor agreement to the existing Franchise Agreement;

C. The Franchisor desires to consent to the Franchisee's request subject to the Franchisee's compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

1. Release. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by Releasor at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates

(or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section l.(b) of this Release.

2. General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Tennessee. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof; and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

Date:_____ **BARRE SKINNY, LLC**

By:_____
Name:_____
Title:_____

Date:_____ **FRANCHISEE:**

_____
Individually

Date:_____

_____
Individually

Date:_____ AND:
(if a corporation, limited liability company or partnership)

_____
Company

By:_____
Title:_____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	Pending
Maryland	Pending
New York	Pending
Virginia	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L
(TO DISCLOSURE DOCUMENT)

RECEIPT
(Keep this copy for your records.)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Barre Skinny, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires 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 or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Barre Skinny, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Barre Skinny, LLC, located at 4445 Kingston Pike, Knoxville, TN, 37919, telephone: (865) 692-1148.

Issuance date: May 12, 2023.

The franchise seller(s) for this offering are _____ located at _____, telephone _____, and/or _____, located at _____, telephone _____.

Barre Skinny, LLC authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated May 12, 2023, and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

A	List of State Agencies/Agents for Service of Process	H	Nondisclosure and Noncompetition Agreement
B	Franchise Agreement	I	Amendment to Franchise Agreement – Renewal
C	Development Agreement	J	State Addenda and Riders to Disclosure Document
D	List of Franchisees	K	General Release
E	Franchisees Who Have Left the System	L	Receipt of Disclosure Document
F	Financial Statements		
G	Operations Manual Table of Contents		

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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The franchisor is Barre Skinny, LLC, located at 4445 Kingston Pike, Knoxville, TN, 37919, telephone: (865) 692-1148.

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F	Financial Statements		
G	Operations Manual Table of Contents		

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt either by signing, dating and mailing it to Barre Skinny, LLC, located at 4445 Kingston Pike, Knoxville, TN, 37919, telephone: (865) 692-1148, or by emailing a copy of the signed and dated receipt to Katy Richardson at katy@neighborhoodbarre.com.