FRANCHISE DISCLOSURE DOCUMENT

PPW Franchising, LLC
A Delaware limited liability company
234 Bush Street
San Francisco, California 94104
Tel. 415-913-7717

www.pilatesproworks.com
www.pilatesproworks.com/franchise

Franchised Studio: We offer franchises awarding the right to operate a Pilates ProWorks® exercise studio ("PPW Studio") specializing in fitness classes featuring Pilates techniques and workout routines using our proprietary FitFormer™ brand machines, the sale of Branded Retail Merchandise, instructor certification training classes, and other related products and services.

Total Initial Investment: The total investment necessary to begin operation of a PPW Studio is from $165,470 to $567,203 excluding real estate costs, which we cannot estimate. This includes $126,450 to $198,250 that must be paid to us or our affiliates before your PPW Studio opens for business.

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 Taylor Carter, President, PPW Franchising, LLC, 234 Bush Street, San Francisco, California 94104 (telephone: 415-913-7717); franchise@pilatesproworks.com.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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 7, 2019

STATE COVER PAGE

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

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, about other franchisors, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY NON-BINDING MEDIATION AND LITIGATION ONLY IN CALIFORNIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW IF YOU RESIDE OUTSIDE OF CALIFORNIA. YOU MAY WANT TO COMPARE THESE LAWS

2. IF YOU ARE MARRIED, YOUR SPOUSE MUST CONSENT TO YOUR EXECUTION OF THE FRANCHISE AGREEMENT AND AGREE THAT YOUR OBLIGATIONS UNDER THE FRANCHISE AGREEMENT ARE BINDING ON THE MARITAL COMMUNITY WHICH PLACES THE SPOUSE'S MARITAL ASSETS AT RISK.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

STATE EFFECTIVE DATES

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

State	Effective Date
California	
Hawaii	Not Filed
Illinois	
Indiana	Not Filed
Maryland	Not Filed
Michigan	Not Filed
Minnesota	
New York	Not Filed
North Dakota	Not Filed
Rhode Island	Not Filed
South Dakota	Not Filed
Virginia	
Washington	
Wisconsin	Not Filed

In the remaining states not identified in the chart, the effective date of this Disclosure Document is the issuance date on page 1.

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<u>List of Exhibits</u>

MICHIGAN PROVISIONS

The following provisions apply to franchises in Michigan:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than $100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

Any questions regarding this notice should be directed to: Department of the Attorney General, Consumer Protection Division, Antitrust and Franchise Section, PO Box 30213, Lansing, MI, 48909; telephone (517) 373-7117.

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Terminology

To simplify the language in this Franchise Disclosure Document ("Disclosure Document"), "Company," "us, "we" and "our" refer to PPW Franchising, LLC, the franchisor. We refer to a person who buys a franchise from us is referred to as "you." If you are a corporation, limited liability company, partnership or other business entity, "you" also includes your owners.

The Franchisor and Our Parents and Affiliates

We are a Delaware limited liability company formed on February 21, 2013. Our principal place of business is 234 Bush Street, San Francisco, California 94104, 415-913-7717. We conduct business under the name "Pilates ProWorks®." **Exhibit B** lists our agents for service of process.

Our immediate parent company is PPW Global LLC ("PPW Global"), which is also a Delaware limited liability company formed on February 21, 2013 and has the same principal place of business as we do. PPW Global is the registered owner of the Pilates ProWorks® licensed trademarks (collectively, the "Licensed Marks").

We are affiliated with Pilates ProWorks LLC, which owns a 50% or majority interest in the operating PPW Studios located in the Marina District of San Francisco and the Financial District of San Francisco. We are also affiliated with PPW Mill Valley LLC, which owns the operating PPW Studio in Mill Valley, California. Each affiliate has the same principal place of business as we do.

We are affiliated with PPW Enterprises, LLC, a Delaware limited liability company ("PPW Enterprises") formed on February 21, 2013, which has the same principal place of business as we do. At this time, our affiliate, PPW Enterprises, is the exclusive supplier of our proprietary FitFormer™ brand pilates equipment. In the future, we may designate ourselves or another affiliate of ours to sell goods or services to our franchisees.

We have no predecessor or other affiliates at this time.

We were formed specifically to administer the Pilates ProWorks® franchise program under which we award franchises to own and operate a PPW Studio identified by Licensed Marks according to our mandatory, recommended and suggested business methods and operating procedures (collectively, the "PPW System").See Item 20 and **Exhibit K** for the addresses of the operating PPW Studios.

We do not operate businesses of the type that we offer as franchises, have not and do not engage in any other business activities besides administering the Pilates ProWorks® franchise program, and have never offered franchises in any other line of business. Neither we nor our affiliates have offered franchises for this business or any other line of business or previously engaged in any other business activities.

The Franchises We Offer

The Pilates ProWorks® franchise offers the right to develop and operate a PPW Studio identified by the Pilates ProWorks® Intellectual Property that offers a variety of fitness classes and instructor training programs in three primary types of exercise regimens: (i) Pilates including exercises that combine use of exercise props, equipment and movements based on classical ballet, Pilates and yoga techniques and combine low-impact Pilates core conditioning with isometric strength training and fast-paced cardio exercises; (ii) Matbox which is a combination of kickboxing, yoga and Pilates; and (iii) Tone & Flow which is a mat based, no equipment class combining Pilates and Yoga. All of our classes focus on similar principles of building core strength, flexibility, balance and body tone, but achieve results through different exercise methodologies and the use of different equipment.

In this Disclosure Document, references to "PPW Studio" refer to any Pilates ProWorks® exercise studio, whether we, our affiliate, or a franchisee or licensee owns and operates the PPW Studio. References to "Franchised Studio" specifically refers to a PPW Studio that either you or another franchisee owns and operates.

Our core Pilates curriculum includes (i) traditional Pilates classes based on the exercise principles originally developed by Joseph Pilates that focus on the fundamentals of the Pilates method (precision of form, controlled movements, breathing and body alignment) and teach proper use of Pilates equipment and props, and (ii) our "Pilates Pro Method" classes based on a proprietary curriculum that combines fast-paced cardio (aerobic) exercises with resistance, lengthening and strength training in a "flow-style" form of Pilates.

Many of the classes that we currently offer at PPW Studios incorporate use of our FitFormer™ brand machines, a proprietary Pilates reformer designed and built to our specifications which is bigger, more comfortable, easier to use, and more versatile for full body resistance training than conventional reformers available on the market today. FitFormer™ brand machines are currently exclusive to PPW Studios. We reserve the right to sell our FitFormer™ brand machines to fitness studios, gyms, sporting goods and other retailers and consumers in the future.

PPW Studios may also offer, pre/postnatal Pilates classes, special classes for new mothers and their babies, specialty workshops, and private instruction.

All franchisees will have access to PPW Interactive, digital learning tools that we create and continuously update with ideas to enhance the effectiveness of your fitness instructors and make them more skillful teachers of our proprietary curriculum. PPW Interactive shares new curriculum ideas and tips for challenging and motivating a class while promoting focus, precision and strength training.

As an optional feature of the franchise program, we offer the Pilates ProWorks® School ("PPW School"). For franchisees that elect to participate in this program, we will host an intensive 7 day training program at your PPW Studio that our instructors will run for your clients and other members of the public who wish to obtain a Pilates ProWorks® certification and deepen their understanding of the Pilates method of exercise. As the host location, we will together determine mutually convenient dates for us to host the PPW School at your PPW Studio, and you must pay us a minimum enrollment fee of $9,000, which covers instruction for up to 7 students. If actual enrollment is more than 7 students, we recalculate the fee as follows according to the number of students who actually enroll: 8-11 students - $1,300 per person; 12-

15 students - $1,150 per person; and 16 or more students - $1,000 per person. Any additional enrollment fees are all due and payable to us before the first day of the PPW School at your PPW Studio. Therefore, for example, if 15 students enroll in a PPW School, you, as the host franchisee, will pay us enrollment fees of $17,250 (15 X $1,150), and pay us the difference between the $9,000 previously paid and the total enrollment fees before the first day of the PPW School at your PPW Studio. We may increase these fees in the future effective upon no less than 30 days' notice, and the new fees will apply to any new PPW School for which dates have not yet been scheduled with us. Within 10 days after the conclusion of the PPW School, you must, as the host franchisee, also reimburse us for our reasonable travel costs (transportation, hotel, food) to send two instructors to their PPW Studio, which will vary depending on the distance from the instructor's home base to your host PPW Studio. The host franchisee may set the enrollment fees for students who enroll in the PPW School at their PPW Studio. While we may recommend a minimum enrollment fee, franchisees who elect to participate may set their own fees to students.

All Franchised Studios must provide basic locker room facilities consisting of at least two sinks and toilets and offer a small, representative selection of Branded Retail Merchandise for sale to clients. Franchised Studios of sufficient size may, but are not required to, install showers and other locker room amenities and offer the full collection of Branded Retail Merchandise. "Branded Retail Merchandise" refers to any Pilates ProWorks® branded fitness apparel, exercise equipment or props, DVDs, apps available for download, and accessory items that we may introduce for retail sale at PPW Studios. Branded Retail Merchandise includes the branded t-shirts that your employees must wear while at work. Branded Retail Merchandise is made available by a designated third party supplier, which is the exclusive supplier of these items.

The award of a franchise gives you the right to own and operate one PPW Studio at an "Approved Location," the term we use to designate the retail premises that we approve for the location of your PPW Studio. You must offer all of the classes in our PPW fitness class curriculum identified by the names that we give to our classes and deliver these classes following the methods that we teach in our PPW Instructor Training certification program. We may modify our class offerings and the specific workout regimens and music that we incorporate as part of each class at any time. We intend to closely monitor fitness trends and industry changes to keep our classes responsive to changing consumer demands.

You must identify your Franchised Studio and classes using the specific Licensed Marks and signs that we designate, construct and build-out your Franchised Studio so that it conforms to our design and appearance specifications, and operate your Franchised Studio according to the mandatory comprehensive business methods and systems that we identify. These comprehensive business methods cover every aspect of the operation of your Franchised Studio including the following subject areas: (i) requirements for the trade dress, equipment, fixtures, furnishings and layout of PPW Studios; (ii) specific fitness curriculum for authorized exercise classes; (iii) training in the proper use of our FitFormer™ brand machines and related safety issues; (iv) general operating requirements and client service standards; (v) local marketing and advertising programs; (vi) customized MindBody software tools; (vii) the retail sale of Branded Retail Merchandise; (viii) designation of other mandatory and optional programs, merchandise and services that Franchised Studios may or must offer; (ix) the sale of memberships, class packages and gift cards; and (x) requirements for the use of the Licensed Marks and other Pilates ProWorks® Intellectual Property.

By “Pilates ProWorks® Intellectual Property,” we refer collectively to the intellectual property that we license you to use under the conditions in the Franchise Agreement, including information that we classify as “Confidential Information” whether our intellectual property rights arise under any patent, trade secret, copyright, trade dress, design protection, database protection, trademark, or similar laws of the United States or any other country in which we, our licensees or our affiliates operate. We refer to all of our recommended, mandatory and optional business methods, operating systems and programs that we license you to use collectively as the “PPW System.”

We promote PPW Studios on our website and will provide each PPW Studio with its own “click through” subpage. We will customize the content on your subpage to provide current information to existing and prospective clients of your Franchised Studio about operating hours, class descriptions, schedules and other services, prices, instructor profiles, location and travel directions, and special events, and offer clients the ability to sign-up for classes and childcare services (if you offer them) on-line. You will also be able to use your subpage to sell local membership and class packages for your own Franchised Studio and gift cards redeemable at your Franchised Studio.

In the future, we may introduce a membership program allowing reciprocity access at any PPW Studio and a system-wide electronic gift card program covering all PPW Studios and require you to participate in these programs. We will notify you before we launch any network-wide membership or gift card programs and explain the reciprocity rules in the Confidential Manual including addressing when we recognize membership sales and gift card transactions in the calculation of Gross Revenue and other exchange conditions.

After you sign the Franchise Agreement, we will give you access to our confidential operating manual (“Confidential Manual”) which contains our policies and procedures relevant to your franchise duties and operations and explains the Pilates ProWorks® corporate culture and system standards and specifications. Our Confidential Manual is a collection of information and forms in written and electronic format. During the term of the Franchise Agreement, we may modify the PPW System as frequently as we feel is in the best interest of our company and the Pilates ProWorks® network to keep our brand relevant and competitive, in which case we will make corresponding changes to the Confidential Manual. We will notify you of all changes to the Confidential Manual by written or electronic bulletins or other announcements, and you must conform to all changes at your expense within the time we allow. We also disseminate information through the Pilates ProWorks® network-wide Intranet and will supply you with password-protected credentials.

At this time, you must purchase our proprietary FitFormer™ brand machines from our affiliate, PPW Enterprises, the exclusive supplier of FitFormer™ brand Pilates equipment, and you must purchase a selection of Branded Retail Merchandise, which include branded t-shirts for your employees to wear at work, from our designated exclusive third party supplier identified in the Confidential Manual.

<u>General Market For Your Products or Services and General Description of Competition</u>

The market for retail fitness is developed and highly competitive as new exercise concepts emerge. Your competitors may include other franchised and non-franchised fitness programs that offer the same type of exercise classes that PPW Studios do, as well as yoga studios, fitness circuit training studios, large-scale health clubs and gyms, and personal trainers. The availability of exercise videos and third party apps for purchase and download are another potential source of competition. We expect new exercise concepts refining and varying traditional Pilates methods to continue to emerge and be additional sources of competition as clients pursue the latest styles and trends in fitness programs.

Besides the specific type of exercise, prospective and existing clients base their choice of fitness classes on a variety of other factors including price, class times, location, convenience of access, and the availability of ancillary services like full locker room facilities and childcare services.

Your business will also be affected by its location, the locations of other fitness providers, your financial and managerial capabilities, the availability of labor, prevailing interest rates, changes in traffic patterns, demographic and prevailing economic conditions, and other factors. Some of our competitors may have greater financial resources and longer operating histories than we have. There is also active competition for management and service personnel, as well as for attractive commercial real estate sites suitable for PPW Studios.

In our experience PPW Studios located in more seasonal climates will experience some changes in demand over the course of a year with reduced demand in warmer weather months. Additionally, certain periods of the year tend to experience higher demand (for example, post-New Year's) while other periods may be slower (school holidays, summer vacation season).

Laws and Regulations

PPW Studios are subject to federal and state laws specifically regulating health and fitness studios. Local laws may establish minimum health and safety standards, requirements for the sale of memberships, and requirements for contracts with consumers including refund conditions. Some state laws may require fitness studios that sell memberships to register with a state agency. Some state laws may (i) impose registration and bonding requirements; (ii) require training to use and maintain safely equipment like automated external defibrillators; or (iii) require training and certification in cardio pulmonary resuscitation (CPR). Laws regulating fitness studios vary by jurisdiction.

You are responsible for investigating and complying with all laws in the geographic area in which you are interested in opening a Franchised Studio and should consider their effect and cost of compliance. In addition to laws that specifically apply to fitness facilities, PPW Studios are subject to laws and regulations affecting businesses generally. Among the laws that apply to businesses generally are those pertaining to zoning and construction; public accommodations; accessibility by persons with disabilities; health and safety requirements including the Occupational Safety and Health Act and state law counterparts; fire codes; environmental laws; smoking rules; labor laws; business licensing requirements; false advertising and other unfair business practices, and the USA Patriot Act and Executive Order 13224.

Our Prior Experience

Our managing members, Oscan Sanin and Taylor Carter, opened the first PPW Studio in the San Francisco Marina District in January, 2010, and immediately differentiated the Pilates ProWorks® name by incorporating high-energy Pilates exercises using the FitFormer, a proprietary Pilates exercise machine exclusive to PPW Studios. Through different business entities, they have since opened additional PPW Studios in the United States as reflected in Item 20.

ITEM 2

BUSINESS EXPERIENCE

Oscar Sanin – Managing Member, CEO and CFO

Mr. Sanin co-founded the Pilates ProWorks® fitness studio concept with Taylor Carter and through our affiliate, Pilates ProWorks, LLC, opened the first PPW Studio in the San Francisco Marina District in January, 2010. He has served as our managing member, CEO and CFO and as managing member, CEO and CFO of each of our affiliates since our and their organization. Since 2003, Mr. Sanin has been actively involved in real estate investments. He is responsible for the strategic expansion of PPW Studios and business concept and oversight for affiliate-owned PPW Studios.

Taylor Carter – Managing Member and President

Ms. Carter co-founded the Pilates ProWorks® fitness studio concept with Oscan Sanin and through our affiliate, Pilates ProWorks, LLC, opened the first PPW Studio in the San Francisco Marina District in January, 2010. From 2005 through 2009, she was self-employed as a marketing, graphic design and advertising professional in Los Angeles, California. She has served as our managing member and President and as the managing member and President of each of our affiliates since our and their organization. She is responsible for implementing the Pilates ProWorks® franchise program and will oversee franchisee training and Franchised Studio operations.

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

Initial Franchise Fee.

The Initial Franchise Fee is $45,000 for the first franchise that a franchisee buys. We are under no obligation to sell you an additional franchise.

We determine the Initial Franchise Fee in a uniform matter. However, we may excuse or reduce the Initial Franchise Fee in individual cases in our discretion. For example, we may excuse or reduce the Initial Franchise Fee if we sell a franchise to friends and family members of our owners, members of our management, or to an employee with at least two years management-level experience at an affiliate-owned PPW Studio.

Application Fee.

You will pay us an application deposit of $5,000 when you submit an application (**Exhibit M**) to purchase a franchise.

If we approve your application, we credit this amount to the Initial Franchise Fee. If we do not approve your application or you decide to withdraw your application after we approve it, we will refund $4,000 of the deposit and retain $1,000, which is non-refundable. You pay the balance of the Initial Franchise Fee when you sign the Franchise Agreement.

Initial Franchise Fee - Conditions for Refund.

We may terminate the Franchise Agreement if, within 120 days following execution of the Franchise Agreement, you have not completed all of the follow steps in the development process of your Franchised Studio: (i) obtained our written approval to a site for the Franchised Studio; (ii) delivered an executed copy of the lease and an Addendum to Lease for the Approved Location; and (iii) executed **Schedule A** to the Franchise Agreement to identify the Approved Location's address and the Protected Territory of the Franchised Studio The Addendum to Lease must be in the form of **Exhibit D**.

If we terminate the Franchise Agreement because of your failure to complete these requirements in a timely manner, we will refund all but $1,000 of the Initial Franchise Fee. You must sign our form of general release (**Exhibit E**) as a condition to obtaining the refund.

Other Initial Fees.

Before the Opening Date (i.e., the first day that your Franchised Studio offers training instruction to the general public):

1. You must purchase FitFormer™ brand machines from our affiliate, PPW Enterprises, at the then-current prices that we publish in the Confidential Manual. We estimate that a prototype PPW Studio of between 2,500 to 4,000 square feet will typically require 10 FitFormer™ brand machines although depending on the space configuration the actual number of machines could range between 8 and 12. The current price for a FitFormer™ brand machine is $7,500/machine (before shipping expenses), which you will pay in full at the time of delivery to your Franchised Studio before the Opening Date. We may change the price of FitFormer™ brand machines during the term without prior notice through updates to the Confidential Manual. The new price list will apply to purchase orders that you place after the price change.

2. You must pay us a training fee to train the instructors who will teach fitness classes at your Franchised Studio when your Franchised Studio opens. Training fees are payable at the start of the training program.“

   a. Studio A: “Studio A” instructor training provides training in traditional Pilates method. We currently charge a per person training fee of $500 per person for the first 10 teachers, and the greater of (i) 50% of the then-published training fee, or (ii) $900 per person for each additional person after the first 10 teachers complete training (whether in the same session or at any later time during the Franchise Agreement term).

b. Studio B: "Studio B" instructor training provides separate training in Matbox exercises and Tone & Flow exercises. We currently charge a per person training fee per subject of $250 for the first 10 teachers, and the greater of (i) 50% of the then-published training fee, or (ii) $375 per person for each additional person after the first 10 teachers complete training (whether in the same session or at any later time during the Franchise Agreement term).

3. You must pay us a MindBody Software Initial Set-up Fee of $450 within 30 days before the Opening Date of your Franchised Studio. MindBody is a leading third party technology provider of web-based solutions for businesses offering fitness, wellness and beauty care services. MindBody offers various software suites and all franchisees must subscribe to MindBody's PRO or higher plan, plus a mobile application subscription that allows your clients can use to schedule classes from their smartphone. You will pay all monthly subscription fees directly to MindBody. See additional disclosures in Item 7 and 11 regarding MindBody software and computer hardware costs that you will pay to third parties.

Sale of Operating PPW Studio.

If an affiliate of ours agrees to sell you all of the assets of a PPW Studio that it owns and operates, you must, as a condition of the sale of assets, meet our qualifications for new PPW Studio franchisees, obtain the landlord of the Approved Location's consent to either assume the lease from our affiliate or obtain a new lease, and acquire franchise rights from us. In other words, the sale of franchise rights by us and the sale of assets by our affiliate are two separate transactions that must occur simultaneously, so that, on the same date, you acquire title both to the assets of the operating PPW Studio and the right to operate the PPW Studio as a franchise. The assets will include, among other things, leasehold and contract rights, fixtures, signs, leasehold improvements, furnishings, FitFormer™ brand machines and other exercise equipment and supplies used to operate the PPW Studio, Branded Retail Merchandise inventory, computer systems and other property used to operate the PPW Studio. Depending upon the physical condition of the PPW Studio, we may require you to upgrade the facility to our then-current design standards for new PPW Studios. We will identify any mandatory renovation changes before you sign the Franchise Agreement so that you can investigate the additional investment expenses.

You will negotiate the price and terms and conditions of the purchase and sale agreement with our affiliate before you sign the Franchise Agreement. The price and terms will vary depending on the operating performance and market potential of the PPW Studio being sold. On the closing date for the sale of the assets, you will sign the Franchise Agreement and pay us the balance of the Initial Fees that we disclose in this Item 5.

Refund Conditions – Other Initial Fees.

Except as we explain in this Item 5, all Initial Fees are non-refundable

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee (See Note 1)	The greater of 5% of Gross Revenue or $1,500/month	Payable monthly on or before the 10th day of the month based on Gross Revenue during the prior calendar month. However, we waive both percentage and minimum Royalty Fees on the first $50,000 of Gross Revenue. Royalty Fees begin after your Franchised Studio reaches $50,000 in Gross Revenue based on Gross Revenues over and above $50,000. Payment is accomplished by following the procedures of our designated electronic funds transfer ("EFT") system.	We define Gross Revenue in the Franchise Agreement. If for any reason we permit payment by check, not EFT, we may debit your account for 120% of your last payment if you fail to report Gross Revenue to us on time. The minimum Royalty Fee is prorated for any partial calendar month after your Franchised Studio reaches $50,000 in Gross Revenue. The Franchise Agreement allows us to change the Accounting Period for payment periodically upon 30 days prior written notice.
Brand Development Creative Fee (See Note 2)	Initially 1.5% of Gross Revenue, but we may increase this to up to 3% of Gross Revenue upon 30 days written notice. No individual increase shall exceed .5% of Gross Revenue, but we may impose increases as frequently as we choose. We will not increase the Brand Development Creative Fee rate before your Franchised Studio has been operating for a year.	Payable monthly on or before the 10th day of the month based on Gross Revenue during the prior calendar month. Begins starting with the Opening Date.	We deposit all Brand Development Creative Fees into the Brand Development Creative Fund. If for any reason we permit payment by check, not EFT, we may debit your designated bank account for 120% of your last payment if you fail to report Gross Revenue to us on time.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Local Advertising (See Note 2)	You must spend at least 1% of Gross Revenue per calendar quarter on approved local advertising and promotion in the area where the Franchised Studio is located.	You must account to us to verify that you have spent the required minimum amount on local advertising, but you do not pay us this fee except under the conditions that we describe in the Remarks column.	If 1% of Gross Revenue is not spent in any calendar year on local advertising and Regional Co-op Advertising Fees, you must pay us the difference between 1% of Gross Revenue and the actual amount spent, plus 25% of the difference. We deposit the sum into the Brand Development Creative Fund.
Regional Co-op Advertising Fee (See Note 2) (Not yet required)	The total of your local advertising obligation and the Regional Co-op Advertising Fee will not exceed 1.5% of Gross Revenue unless 65% of the owners of PPW Studios in your Regional Advertising Co-op approve an increase or special assessment above 1%, in which case you are bound by the super-majority decision even if you vote against it.	The actual amount of Regional Co-op Advertising Fees and the frequency and other terms of payment will be set by the Regional Advertising Co-op board, which members of the Co-op elect.	This obligation to pay Regional Co-op Advertising Fees arises only if we create a Regional Advertising Co-op for your area. We have no Regional Advertising Co-ops at this time. Of the Regional Co-op Advertising Fees that you pay to a Regional Advertising Co-op, we will credit .5% of Gross Revenue towards your minimum obligation for local advertising expenditures.
Pilates FitFormer™ brand machines; replacement parts	According to the then-current price list and on the terms that we will publish in the Confidential Manual.	Payment is payable in full when you place the order. We may change our payment terms at any time on no less than 30 days written notice.	Payable to PPW Enterprises at this time. In the future we or another affiliate of ours may sell FitFormer™ brand equipment.
Fee for Additional On-Site Training or Special Visit after the Opening Date	$300/day per person plus reimbursement of our reasonable travel costs to send one of our employees to the Franchised Studio if we provide additional training or make a special visit to your Franchised Studio after the Opening Date at your request. We charge a half-day fee for travel days to and from your Franchised Studio in addition to reimbursement of reasonable travel costs.	The fee is payable in full when you book on-site training. Reimbursement of our reasonable travel costs is payable 30 days after billing.	This fee is imposed only when you request additional on-site training or support beyond our normal visits. We do not prorate the per diem rate for training days that are less than a full day (8 hours).

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Fee for Fitness Director Support Services	$400/day or $50/hour per person plus reimbursement of our reasonable travel costs to send one of our managers to your Franchised Studio. We charge a half-day per diem fee for travel days to and from your Franchised Studio in addition to reimbursement of reasonable travel costs when travel requires an overnight stay. Otherwise, we charge our hourly rate for travel time to and from your Franchised Studio.	The fee is payable in full when you book training. Reimbursement of our reasonable travel costs is payable 30 days after billing.	The per diem rate for training applies when travel requires an overnight stay; hourly rate applies to local visits where travel does not require an overnight stay.
Additional Business Operations Training Fee after the Opening Date	$1,250 per person	Before start of Business Operations Training	At least one Primary Owner and one Certified Manager (if not a Primary Owner) must complete our Business Operations Training course before the Opening Date. “Primary Owner” refers to any person who owns 20% or more of the equity or voting shares of a business entity that is a franchisee. There is no fee to provide the Business Operations Training Course before the Opening Date. This fee is payable to train additional individuals after the Opening Date.
PPW Instructor Training and Certification Fee – Studio A Instruction (Pilates Method)	$500 per person for the first 10 teachers whom you enroll in our PPW Instructor Training program whether training is delivered by the Opening Date or later during the term of the Franchise Agreement. After the first 10 instructors, the training fee for providing additional PPW Instructor Training is the greater of (i) 50% of the then-published per person training fee, or (ii) $900 per person.	Before start of training	After the Opening Date, delivery of the PPW Instructor Training module is by mutual arrangement. The PPW Instructor Training and Certification Fee excludes any travel, lodging, meals or salary expenses for your instructors. Before the Opening Date, we hold PPW Instructor training in your Franchised Studio if it is sufficiently ready for occupancy. If you need to certify new instructors after the Opening Date, you must send the instructor to the PPW Studio in the United States that we designate.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			You must additionally reimburse us for our reasonable travel costs when we provide PPW Instructor Training in your Franchised Studio. This includes pre-Opening Date PPW Instructor Training if we provide it in your Franchised Studio.
PPW Instructor Training and Certification Fee – Studio B Instruction (Fee per subject matter)	The following applies per Studio B subject matter which at this time are the following: • Matbox exercises • Tone & Flow exercises $250 per person per subject matter for the first 10 teachers whom you enroll in each Studio B subject matter instructor training program whether training is delivered by the Opening Date or later during the term of the Franchise Agreement. After the first 10 instructors per subject matter, the training fee for providing additional PPW Instructor Training per subject matter is the greater of (i) 50% of the then-published per person training fee, or (ii) $375 per person.	Before start of training	After the Opening Date, delivery of the PPW Instructor Training module is by mutual arrangement. The PPW Instructor Training and Certification Fee excludes any travel, lodging, meals or salary expenses for your instructors. Before the Opening Date, we hold PPW Instructor training in your Franchised Studio if it is sufficiently ready for occupancy. If you need to certify new instructors after the Opening Date, you must send the instructor to the PPW Studio in the United States that we designate. You must additionally reimburse us for our reasonable travel costs when we provide PPW Instructor Training in your Franchised Studio. This includes pre-Opening Date PPW Instructor Training if we provide it in your Franchised Studio.
Lead Instructor Training Program and Certification Fee	$900/instructor/program Separate lead instructor training is provided in Studio A and each Studio B subject.	Before start of training	Available to a certified PPW instructor in good standing who has taught a minimum of 200 class hours at one or more PPW Studios in the particular Studio A or Studio B subject for which he or she seeks Lead Instructor status. A Lead Instructor must be hired as an employee and not retained as an independent contractor. Lead Instructor certification qualifies the Lead Instructor to teach new faculty whom you wish to add during the term of the Franchise Agreement and to conduct public classes in how to teach classes to others in the

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			particular Studio A or Studio B subject in which he or she is certified.
Annual Recertification Fee	Up to $200/instructor/year/program We impose a separate annual recertification fee per Studio A and each Studio B subject.	At least 10 days before start of training	Each of your Certified Managers and instructors must satisfy minimum annual recertification requirements in each Studio A and Studio B subject for which they have earned a certification. Recertification involves passing a recertification evaluation class which we may conduct as a live class in your Franchised Studio, at an operating PPW Studio in the United States that we designate, or by videotape or other remote means like Skype or PPW Interactive. While different recertification standards apply to each category (Certified Manager, Lead Instructor, general instructors), the per person recertification fee is the same across the Studio A and Studio B subjects. You must additionally reimburse us for our reasonable travel costs when we conduct the annual recertification program in your Franchised Studio. All current instructors will be recertified at the same time each year. For those who have not been teaching for a full year, we prorate the recertification fee.
Franchised Studio Subpage customization	No charge for initial subpage design or set-up. Afterwards, if you ask us to make content changes for you, we will bill you for content changes that you wish to make to your Franchised Studio's subpage according to the actual time spent by our webmaster, which currently is $90/hour (billing is at minimum increments of ½ hour)	Upon receipt of invoice	

TYPE OF FEE	**AMOUNT**	**DUE DATE**	**REMARKS**
Service Charge for Insurance (See Note 3)	The cost of purchasing replacement insurance plus 25%.	Upon receipt of invoice.	The service charge is only payable if you fail to carry the insurance we require and if we decide to purchase the insurance coverage for you. We have no obligation to obtain coverage for you and may, instead, at our option terminate the Franchise Agreement based on your material breach.
Renewal Fee	$5,000	When you give notice of your exercise of the renewal option, at least 9 months, but not more than 12 months, before expiration of the current term.	See conditions of renewal in Item 17 and in the Franchise Agreement.
Transfer Fee	50% of the then-current Initial Franchise Fee.	When you apply for our consent to a proposed Event of Transfer.	If we refuse to consent to the proposed Event of Transfer, we may keep up to $1,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request. If we consent to the proposed Event of Transfer and exercise our right of first refusal, we may keep up to $1,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request.
Transfer Fee - Qualified Transfers (See Note 4)	$1,500 per Qualified Transfer.	When you apply for our consent to a proposed Event of Transfer.	"Qualified Transfers" are changes in ownership amounting to less than a controlling interest or the transfer of the franchise or area development rights to a newly formed entity which you wholly own.
Compliance Audit	Cost of audit (including our reasonable accounting, legal fees and travel expenses), plus full amount of any underpayment and interest and late charges on any underpayment.	30 days after we complete audit results.	Payable only if our audit shows an understatement of Gross Revenue for any period of 2% or more.
Interest on Late Payments	1.5% per month per annum not to exceed the maximum legal rate of interest.	Interest accrues immediately after due date if you fail to pay full obligation. Late payment is a material default under the	Applies to all amounts payable to us under the Franchise Agreement. Interest is payable on the entire overdue amount beginning with the date

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		Franchise Agreement. By charging interest, we do not waive our right to terminate the Franchise Agreement on account of late payment.	payment is due until you pay the arrearage, late charge and interest in full.
Remedial Work to Correct Unhealthy or Unsafe Condition	Service charge equal to 25% of the cost of the remedial or corrective work if we elect to correct any unhealthy or unsafe condition at the Franchised Studio. Additionally, you must reimburse us for all of our actual direct costs in performing the work, including for labor, materials, travel, supervision and subcontractors.	Upon receipt of invoice.	We have no obligation to perform remedial work and may, instead, at our option terminate the Franchise Agreement based on your material breach of the obligation to operate in compliance with all laws and in a safe and sanitary manner.
Annual Meeting Registration Fee (Not yet required)	Up to $500/person	Before an annual meeting	When we reach sufficient size, we may conduct an annual business meeting of franchisees and charge a registration fee of up to $500 per person. Additionally, you must pay for all travel expenses for you and your employees and independent contractors who attend the annual meeting.
Indemnification and Defense	All costs including attorneys' fees; amount will vary under the circumstances.	As we incur expenses and present them to you.	You must reimburse us for losses which we suffer resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim.
Alternate Supplier Testing Fee	Based on our actual cost, but not to exceed $2,500 per request.	When you request approval of an alternate supplier	See Item 8
Mystery Shopper Fee (Not yet required) (See Note 5)	Based on actual costs which we estimate may be up to $150/month. We base our estimate of mystery shopper fees on the range of fees that mystery shopper companies charge at this time and the average number of mystery shopper visits we anticipate the mystery shopper company	We may direct you to pay us the Mystery Shopper Fee which we will forward to the mystery shopper company or have you remit payment directly to the mystery shopper company according to the company's payment terms	The amount of Mystery Shopper Fees depends on the charges which the mystery shopper company imposes and the frequency of mystery shopper visits. We invoice you periodically depending on whether the mystery shopper company's invoices indicate that the company made mystery shopper visits to the

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	will make each year to each PPW Studio in good standing. Actual mystery shopper fees will be higher in situations if a Franchised Studio requires multiple mystery shopper visits to correct poor scores.	Payment to us is due within 10 days of invoice unless we indicate otherwise.	Franchised Studio during the invoice period. The mystery shopper company may increase its fee at any time. We may direct the mystery shopper company to increase the number of visits to your Franchised Studio if the location's mystery shopper scores indicating operating deficiencies or client relations problems in our judgment.
Management Fee (See Note 6)	The then-current fee that we publish in the Confidential Manual, which currently is 5% Gross Revenue. Additionally, you must reimburse us for our reasonable and direct overhead expenses.	Payable monthly for the same period as the Royalty Fee.	We may impose a Management Fee if we elect to manage the Franchised Studio after a death or permanent incapacity that results in a Change of Control. Payment of the Management Fee is in addition to payment of all other obligations and fees required to be paid to us under the Franchise Agreement including Royalty Fees and Brand Development Creative Fees.
PPW School (optional program)	The minimum enrollment fee is $9,000, which covers instruction for up to 7 students; otherwise, we recalculate the according to the number of students who actually enroll: 8-11 students - $1,300 per person; 12-15 students - $1,150 per person; and 16 or more students - $1,000 per person. Within 10 days after the conclusion of the PPW School, you must reimburse us for our reasonable travel costs (transportation, hotel, food) to send two instructors to your PPW Studio.	The minimum enrollment fee of $9,000 is due and payable in full when you book the PPW School dates with us. If more than 7 students enroll in the PPW School that you host at your PPW Studio, we recalculate the enrollment fee according to the sliding scale and any additional enrollment fees are all due and payable to us before the first day of the PPW School at your PPW Studio.	We describe the PPW School program in Item 1. The program and the fees that we currently disclose for the program may change at any time on 30 days written notice. Any fee increases will apply to PPW Schools that are booked after the effective date of the fee increase.
Technology Access Fee (see Note 8)	$195/month, plus $5 per email account (over 3) that you ask us to create	Payable monthly on or before the 10th day of the month Begins starting with the Opening Date.	

The Following Notes Accompany the Item 6 Disclosures

To Whom Payments Are Made: Except as indicated, you will make all payments to us.

Refund Conditions: All payments that we describe in Item 6 are non-refundable except the transfer fee where we will refund all but $1,500 if we refuse to consent to a proposed transfer.

Uniformity: At this time, we impose continuing fees in a uniform manner. However, we retain discretion to reduce fees in individual cases in our discretion. We also reserve the right to change the type and amount of fees that we require new franchisees to pay us.

NOTE 1. Gross Revenue. "Gross Revenue" means the aggregate of all revenue and income from operating the Franchised Studio, including membership and class enrollment fees, online purchases of class packages (whether or not redeemed), gift card sales (whether or not redeemed), Branded Retail Merchandise sales, and fees for optional or approved services, whether payment is in cash, by credit card, or other generally accepted form of payment.

We exclude the following from Gross Revenue: (i) sales taxes and other taxes separately stated that you collect from clients and pay to taxing authorities; (ii) the value of services or merchandise bought by clients by redeeming membership benefits and authorized gift cards sold by the Franchised Studio; (iii) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; and (iv) tips paid by clients to employees and other independent contractors rendering services at the Franchised Studio.

We have a "no refund" policy. While we do not insist that our franchisees adopt this policy for their own Franchised Studio, consistent with our policy, in calculating your Gross Revenue, you must report as Gross Revenue the full transaction amount paid to you even if you later choose to reverse or cancel a transaction and refund money or extend credit to a client towards future services regardless of the reason.

If, during the 60 days immediately after you pay us Royalty Fees, you refund or extend a credit for a portion of Gross Revenue to an arm's length client, you may apply to us for a credit against future Royalty Fees equal to the amount that you have overpaid as Royalty Fees due to the bona fide client refund or credit transaction. You have 90 days after paying Royalty Fees to request a Royalty Fee credit on bona fide client refund and credit transactions that you complete during the 60 days immediately after you have paid us Royalty Fees. To request the Royalty Fee credit, you must present us with appropriate documentation allowing us to verify the date of the bona fide client refund and credit transaction, the exact amount paid to clients during the 60 day timeframe as a refund or credit, and the reason for the refund or credit. We will not honor requests for a Royalty Fee credit that do not comply with our policy.

We waive Royalty Fees on the first $50,000 of Gross Revenue so that the payment of both percentage and minimum Royalty Fees begins only after your Franchised Studio reaches $50,000 in Gross Revenue and is based on Gross Revenues over and above $50,000. The obligation to pay Brand Development Creative Fees begins immediately from and after the Opening Date of your Franchised Studio.

We collect most fees by way of a preauthorized bank deduction or EFT system. Under the Franchise Agreement, you must maintain a dedicated operating account with sufficient funds in the account at all times so that we may debit the entire amount due to us for Royalty Fees and Brand Development Creative Fees after the end of each month. The terms of your agreement with your bank must include providing us with no less than 30 days' written notice before you or the bank may make any change to the operating account that would affect our ability to collect Royalty Fees and Brand Development Creative Fees through our EFT payment system.

If for any reason the EFT system fails or we permit you to pay by check or other means, payment is due within 24 hours after the last day of the monthly period. As we disclose in the remarks column, if we allow payment by a method other than EFT and you fail to report Gross Revenue to us on time for any accounting period, we may, without waiving our right to terminate the Franchise Agreement, debit your EFT account for 120% of your last payment. Once we do so, your payment is non-refundable even if you later report Gross Revenue for the accounting period and demonstrate to us that the amount that we debited exceeds 5% of your actual Gross Revenue for the accounting period.

We may change the accounting period for paying fees and reporting Gross Revenue and other financial results of the Franchised Studio or the method for paying and reporting all fees to us on 30 days written notice.

NOTE 2. Local Advertising; Regional Advertising Co-op Fees. In addition to the continuing Brand Development Creative Fee, you must spend a minimum of 1% of Gross Revenue on local advertising and marketing of the Franchised Studio after the Opening Date and account to us for your expenditures within 30 days after the end of each calendar quarter. We must approve all local advertising and marketing materials that you create before you may use them. The local advertising obligation begins immediately after the Opening Date.

"Local advertising" is a term that covers all forms of advertising, marketing and promotion in any media channel and includes print, television and radio advertising; flyers and other printed advertising materials; promotional and marketing events at or involving your PPW Studio; and website content, including advertising that you conduct on third party and social media websites.

Additionally, upon no less than 30 days written notice, we may establish a Regional Advertising Co-op for a geographic area that includes the Franchised Studio. We may require that you pay Regional Co-op Advertising Fees of up to 1.5% of Gross Revenue to the Regional Advertising Co-op which the Regional Advertising Co-op will deposit into a Regional Co-op Advertising Fund. We, alone, may decide to create or end a Regional Advertising Co-op or merge one or more neighboring Regional Advertising Co-ops into a larger Regional Advertising Co-op. Of the Regional Co-op Advertising Fees that you pay to the Regional Advertising Co-op, we will credit .5% of Gross Revenue towards your minimum local advertising obligation so that the sum of Regional Co-op Advertising Fees and minimum expenditures for local advertising obligation will not exceed 2% of Gross Revenue.

We collect a one-time fee of up to $500 to customize the subpage we customize for your Franchised Studio that is accessible form the Pilates ProWorks® website. We do not credit the fee to your minimum obligation for local advertising expenditures.

NOTE 3. Insurance. We identify the types and minimum insurance coverage that you must carry. We make no representation that the coverage will be sufficient for your business or purposes. You need to evaluate if your business will require greater coverage or other types of insurance.

Payments for insurance are made to third party insurance companies unless you fail to have the required insurance and we elect to obtain it for you, in which case we may impose a service fee equal to 25% of our costs and immediate reimbursement of our expenses on your behalf.

The Confidential Manual describes our current minimum, mandatory insurance requirements for each PPW Studio, which we summarize as follows:

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
General Liability Aggregate See note (1)	$2 Million Dollars per occurrence $4 Million Dollars aggregate coverage
Products/Completed Operations Aggregate	$4 Million Dollars aggregate coverage
Broad form Contractual Liability; Personal and Advertising Injury	$2 Million Dollars
Non-owned Automobile Liability	$2 Million Dollars per occurrence
All "Risks" or "Special" form general casualty insurance	Full replacement value of the Franchised Studio and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required
Fire Damage (any one fire)	$300,000 Fire Legal Liability or the hire amount required by the Lease
Business Interruption Insurance See Note (2)	1 year loss of income (covering expenses including payments to us)
Workers compensation and employer's liability insurance, together with any other insurance required by law	minimum limits required by law

(1) Comprehensive general liability insurance combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations.

(2) Business interruption insurance sufficient to cover your expenses (including payments due to us), profits and losses for a minimum period of 12 months from the date of a closure due to an insured loss.

These are minimum coverage amounts. You must obtain additional insurance if required by the lease of the Approved Location. Any person or firm that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of $1 Million Dollars aggregate or the higher amount required by applicable law plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

We may periodically modify all minimum amounts to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the insurance coverage we require, we may obtain the above insurance coverage for you and charge you a service fee as described in the Item 6 chart. For additional conditions applicable to mandatory insurance including the requirement that your insurance policies name us as an additional insured, see the Franchise Agreement (**Exhibit C**).

NOTE 4. Transfer. The Franchise Agreement defines what events constitute an Event of Transfer" and a "Qualified Transfer."

NOTE 5. Mystery Shopper Fee. In the future, we plan to introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery shopper visits to the Franchised Studio in order to provide you with critical feedback and insight into the effectiveness of your operations from a client's perspective. When we implement the program, you must participate in it. The mystery shopper program will supply us with benchmark data that will help us compare the performance of the Franchised Studio against local competitors and other PPW Studios and franchise owners and develop chain-wide benchmarks and competitive intelligence benefiting all PPW Studios. We may collect a Mystery Shopper Fee or, alternatively, at our option, have you pay the mystery shopper company's fees directly to the company. In our discretion, we may use more than one mystery shopper company. In setting your Mystery Shopper Fee, we intend to pass through the fees which the mystery shopper company charges us to visit the Franchised Studio. Based on our knowledge of the fees that mystery shopper companies charge today and the number of mystery shopper visits we anticipate the mystery shopper company will make each year to a Franchised Studio in good standing, we estimate that your Mystery Shopper Fees will be approximately $150/month. However, the fees may be higher. Not only may the mystery shopper company that we select increase its fees per visit, but we may direct the mystery shopper company to increase the number of visits to a particular PPW Studio due to mystery shopper scores indicating operating deficiencies, client relations problems or similar matters which, in our judgment, require additional investigation and follow up.

NOTE 6. Management Fee. The death or permanent incapacity of one of your Primary Owners may result in a Change of Control and trigger an Event of Transfer that requires our prior written consent. If, immediately after a death or permanent incapacity of a Primary Owner resulting in a Change of Control, your remaining management cannot demonstrate to our satisfaction that they can operate the Franchised Studio in accordance with the requirements of the Franchise Agreement during the interim period until they obtain our consent to the Event of Transfer, we may assume day-to-day management of the Franchised Studio for your account for up to 90 days. Out of the Franchised Studio's cash flow, we may retain enough to pay ourselves the continuing Royalty and Brand Development Creative Fees due under the Franchise Agreement, any Regional Co-op Fees that are payable at that time, and the Management Fee and reimburse ourselves for our out-of-pocket expenses. Your obligation for these fees does not depend on the Franchised Studio having positive cash flow.

NOTE 7. MindBody Software Initial Set-up Fee and Other Charges. MindBody, Inc. is a leading third party technology company offering web-based technology solutions for businesses offering fitness, wellness and beauty care services. MindBody software tools include client-facing tools, management tools, and website tools. MindBody offers several software products and, based on the features of the different product options, our franchisees must subscribe to a suite of applications that includes MindBody PRO, a subscription for a custom mobile application which your clients may use to book and cancel classes and complete transactions from their smart phones, and MindBody Branded Web Tools, which allow you to customize your webpage to provide similar functionality as the custom mobile application. You will pay us a one-time initial set-up fee of $450 and afterwards pay monthly subscription fees directly to MindBody for the software bundle. At this time, the monthly subscription fee for the MindBody bundled applications, which includes MindBody PRO, mobile app subscription, and the Branded Web Tools is $240/month, which you will pay directly to MindBody. MindBody may increase its subscription fees and impose other charges at any time and we have no control over these matters. We do not receive any payment from MindBody on account of your transactions with MindBody. The MindBody software that you must use includes point-of-sale software. We will have the ability to remotely access the MindBody software to review your Gross Revenue information to verify the amount of Royalty Fees and Brand Development Creative Fees payable to us.

NOTE 8. Technology Access Fee. The Technology Access Fee covers the cost of providing you with (i) 3 email accounts (designated as “Owner@,” “Manager@,” and “Front Desk@”) linked to your Franchised Studio’s subpage that is hosted on our website to facilitate your communications with clients; (ii) use of a secure cloud-based file sharing service facilitating the transfer of documents and information between us; and (iii) unlimited access to PPW Interactive, a suite of proprietary learning tools hosted on our network-wide Intranet that we make available by providing secure sign-in credentials to your designated fitness instructors and employees. For an additional fee of $5 per email address, we will provide additional email addresses that are linked to your Franchised Studio subpage.

We may modify the scope and nature of services that we provide in exchange for payment of the Technology Access Fee at any time without prior notice, and increase the Technology Access Fee by up to 5% per year effective on January 1 of each calendar year during the term of your Franchise Agreement without proration for any partial period upon at least 30 days’ prior written notice.

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ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
Initial Franchise Fee (See Note 1)	$45,000	Cash, Wire Transfer	$5,000 when you submit an application; balance when you sign the Franchise Agreement	Us according to Bank instructions
Instructor training fees and travel and other expenses for the initial training program consisting of the separate Business Operations and PPW Instructor Training modules (See Note 2)	$5,000 - $19,500	As incurred	As required	PPW Franchising LLC and other miscellaneous third parties
Exercise equipment and props (See Note 4)	$76,000 - $142,800	As required	As required	PPW Enterprises and other 3rd party vendors
Leasehold improvements, fixtures, construction and remodeling costs, décor Items, furnishings and decorating costs (See Note 5)	$10,000 - $250,000	As required	As required	Suppliers
Opening inventory of core group of Branded Retail Merchandise (See Note 6)	$1,500 - $5,000	As required	As required	Designated exclusive third party supplier
MindBody Software and Computer System Hardware (See Note 7)	$3,270 – $5,103	As required	As required	Us; MindBody; Apple or others

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
Security Deposits (excludes real estate deposit), utility deposits, business licenses, and other pre-paid expenses (See Note 8)	$1,000 - $3,000	As Arranged	As Arranged	Suppliers; Government Agencies; Utility Companies
Professional Fees (architect or designer including cost to prepare construction drawings, attorney, accounting fees) (See Note 9)	$5,000 - $20,000	As Arranged	As Arranged	Third parties, including architects, lawyers and accountants
Grand Opening Marketing (See Note 10)	$10,000 - $35,000	As Arranged	As Arranged	Miscellaneous third parties
Insurance (See Note 11)	$3,700 - $6,800	As Arranged	As Arranged	Miscellaneous third parties
Additional Funds (Initial period begins with date of Franchise Agreement and ends 3 months after Opening date) (See Note 12)	$5,000 - $35,000	As Arranged	As Arranged	Miscellaneous third parties
TOTAL **(Excludes Real Estate Costs – see note 3)**	**$165,470- $567,203**			

THE FOLLOWING NOTES ACCOMPANY THE ITEM 7 CHART

General: Item 7 explains your likely initial investment to open and begin operating a PPW Studio during the initial period excluding real estate costs. The initial period begins with the date of the Franchise Agreement and ends 3 months after the Opening Date. The low/high figures in Item 7 figures are based on a prototype PPW Studio that ranges in size between 2,400 to 4,000 square feet. The low estimate assumes two exercise studios and the high estimate assumes three exercise studios.

These notes, which are an integral part of Item 7, explain each expense category in detail and the variables and assumptions that influence the low and high initial investment estimates. You are responsible for investigating your own initial investment expenses, which may be materially different depending on a variety of factors including prevailing economic conditions, space availability, prevailing lease costs, and amounts paid to instructors.

Refund Conditions. The Initial Franchise Fee is partially refundable if you fail to obtain site approval and sign a lease for an approved site within 120 days after you sign the Franchise Agreement and either one of us elects to terminate. The security deposit that you pay to the landlord for the premises lease may be refundable at the end of the lease under the conditions in the applicable lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with the third party vendor or supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing your Franchised Studio.

NOTE 1. Initial Franchise Fee. See Item 5.

NOTE 2. Initial Training. The low range of $5,000 assumes that (i) 2 individuals, you and your Certified Manager, attend the Business Operations Training segment of the initial training program before the Opening Date and reside close enough to the location where we conduct Business Operations Training to be able to drive and therefore have no expenses for airfare, car rental, hotel, or other significant travel costs besides the cost of gas; (ii) 5 individuals complete the Studio A PPW Pilates Instructor Training portion of the initial training program; and (iii) 5 individuals complete both subjects that comprise the Studio B PPW Pilates Instructor Training portion of the initial training program (Matbox and Tone & Flow), all before the Opening Date. The low estimate assumes that each person who attends training resides close enough to the training location to be able to drive and has no expenses for airfare, car rental, hotel, or other significant travel costs besides the cost of gas.

The high estimates of $19,500 assumes that 3 individuals attend the Business Operations Training module; 10 individuals complete the Studio A PPW Pilates Instructor Training portion of the initial training program; and (iii) 10 individuals complete both subjects that comprise the Studio B PPW Pilates Instructor Training portion of the initial training program (Matbox and Tone & Flow), all before the Opening Date. The high estimate assumes that each person who attends training will incur airfare, car rental, hotel, and other travel costs and room and board expenses to travel to the location of each module of the initial training program.

Both the low and high estimates include the PPW Instructor Initial Training fee of $500/instructor for Pilates and $250/instructor for each Studio B program.

In addition to being responsible for travel expenses for those who attend our initial training program on your behalf, you are responsible for paying salaries to employees while they attend training. You alone determine the appropriate classification of instructors as employees or independent contractors according to applicable law (with the exception that, if you want to qualify an instructor as a Lead Instructor, one of the conditions to qualification is that you must employ the instructor). No allowance is made for payment of salary to employees, compensation to independent contractors, or a draw to owners during the initial phase of operations (i.e., from the date that you sign the Franchise Agreement through the end of the first 3 months after the Opening Date).

The term, “Certified Manager,” identifies a management-level employee who devotes full-time and attention to performing general management and supervisory responsibilities for your Franchised Studio and successfully completes our Business Operations Training and PPW Instructor Training courses and maintains annual re-certification evaluation as a PPW certified instructor even if the employee does not intend to teach fitness classes. A Certified Manager may, but need not, be a Primary Owner.

The term, "Lead Instructor" refers to a PPW certified instructor who meets minimum experience requirements and who successfully completes our Lead Instructor training program, maintains annual recertification as a Lead Instructor, and teaches a minimum number of classes per month at your Franchised Studio. To qualify an instructor as a Lead Instructor, the individual must be an employee, not an independent contractor. A Lead Instructor certification qualifies your instructor to deliver our PPW Instructor Training course to new instructors at your Franchised Studio in lieu of having to enroll your new instructors in our PPW Instructor Training program that we describe in this Disclosure Document.

NOTE 3. Real Estate. We cannot estimate your expenses for real estate during the initial period. We anticipate that most franchisees will lease the space for their PPW Studio, not acquire the real estate. If you decide to operate from a building that you buy or already own with space suitable for your Franchised Studio, your real estate costs will be materially different than if you lease commercial space.

Rental costs per square foot for commercial retail space vary considerably by geographic market (population density, demographic conditions, desirability and demand for space influence actual rent); physical size and conditions; type of retail space; the location's placement in a larger retail complex; prevailing market and economic conditions; and prior use of the space. In addition to rent, landlords also vary in their policy regarding the number of months' rent that they require as a security deposit, which will also affect your real estate expenses during the initial period. You should expect to pay at least one month, and could pay as many as three months', rent as a security deposit. Additionally, you may also be required to pay a separate monthly common area maintenance fee in addition to rent. If you locate the Franchised Studio in a shopping mall, your rent may include an advertising fee payable to the mall landlord.

Depending on vacancy rates, prevailing economic conditions, a desire to attract tenants to a new project, and competition, landlords may offer free rent, tenant improvement allowances and other incentives. Some landlords will agree to defer the rent commencement date for some time period after you receive possession and during the build-out phase. We cannot guaranty that you will be able to negotiate a tenant improvement allowance or other favorable lease terms, including rent deferrals, and make no allowance for these benefits in disclosing initial investment real estate costs.

You should investigate real estate costs in the market area where you desire to open a PPW Studio and include an allowance for real estate costs during the initial period to the low/high initial investment range that we disclose in this Item 7 for the initial period.

NOTE 4. Exercise Equipment.

The low estimate of $76,000 assumes that you purchase 10 FitFormer™ brand machines, an adequate number of fitness mats and props (e.g., Pilates rings, balls, eights and bands) to support client volume during the initial period, and incur no shipping costs to transport the FitFormer™ brand machines and other equipment to the Approved Location. The high estimate of $142,800 assumes that you purchase 18 FitFormer™ brand machines and incur $6,000 to ship the FitFormer™ brand machines to the Approved Location and also purchase a larger number of fitness mats and props to support client volume during the initial period.

NOTE 5. Leasehold Improvements, Fixtures, Construction and Remodeling Costs, Décor Items, Furnishings, Decorating Costs and Signs.

The low estimate assumes that the space you lease was previously used as an exercise studio requiring minimal remodeling to convert it to a PPW Studio, while the high estimate assumes that you take possession of an empty shell or space used for a completely unrelated purpose and requires complete remodeling.

Fixtures, furnishings and décor items include a front desk, lounge furniture, and installation of mirrors and ballet rails in the exercise studios. Fixtures and other fixed assets also include all custom-made millwork, cabinetry and shelving, and build-out of locker room facilities with a minimum of two restrooms and sinks. You may wish to install showers and more complete locker room facilities, but the low/high estimates here reflect only required locker room amenities.

We include in the category of leasehold improvements the cost of interior and exterior signs.

Construction, remodeling and leasehold improvement costs include expenses to conform the approved space to our comprehensive specifications for lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall and ceiling treatments, doors and hardware, painting, HVAC systems, storage areas, installation of an integrated security system, and other improvements to develop the physical premises into a PPW Studio meeting our specifications. Actual costs of construction, remodeling, leasehold improvements, décor items, furnishings, decorations and interior and exterior signs will depend on the size, pre-existing condition, location and previous use of the approved site, applicable local building codes, health codes, prevailing economic conditions and the need to use union labor which is generally more expensive than non-union labor.

Depending on the particular market where you chose to locate your PPW Studio and other relevant variables, actual costs for the items that we included in the category of leasehold improvements may be higher than the high estimates shown in the charts. You are responsible for investigating the various factors in your market area influencing construction, remodeling and leasehold improvement costs.

NOTE 6. Branded Retail Merchandise - Opening Inventory. You must purchase from our designated third party exclusive supplier according to its price list a small core sampling of Branded Retail Merchandise for resale to customers, which includes branded t-shirts for your employees to wear at work. We may periodically modify our specifications for employee uniforms and the Branded Retail Merchandise lines that you must purchase from our designated third party supplier and notify you about these changes through updates to the Confidential Manual. The low/high estimates cover just your initial opening inventory costs; we include expenses to replenish Branded Retail Merchandise inventory after the Opening Date and through the end of the initial period (i.e., 3 months after the Opening Date) under Additional Funds. Your inventory needs will vary substantially according to the size of the Franchised Studio and initial client volume, whether you choose to offer for sale our entire Branded Retail Merchandise line, and the actual sales levels that you achieve during the initial period, which we cannot estimate.

NOTE 7. MindBody Software, Subscription Fees, Mobile Application Fees and Computer System Hardware. Until we designate another business management software system, you must subscribe to and use web-based MindBody software, which is widely used in the fitness industry and offers a full complement of management tools including instructor and class scheduling, class bookings, payroll and cash register (POS) accounting, and inventory management. You will pay us a $450 set-up fee and pay MindBody a monthly subscription fee according to the tier level of your choice. At a minimum, we require that you subscribe to MindBody's PRO plan, currently $95/mo. You must also subscribe to MindBody's mobile application, which allows your clients to schedule classes and complete transactions from their smart phone. We have negotiated a special monthly subscription fee which at this time is $58/month for both Apple and Android mobile app formats, which you will pay directly to MindBody. MindBody may increase its subscription fees and impose other charges at any time and we have no control over these matters. We do not receive any payment from MindBody on account of your transactions with MindBody. MindBody offers other optional features that you may elect for additional monthly fees that MindBody sets. The low/high estimates include the initial set-up fee and monthly subscription fees for three months for MindBody PRO plan and mobile app services.

The low estimate also included the cost of one front desktop Apple computer; at least one other laptop primarily for client sign-ins; one iPad per exercise room for staff use; one printer; basic non-proprietary office software (Excel, Word); one bar code scanner for Branded Retail Merchandise sales; and one magnetic card reader.

NOTE 8. Security Deposits (Excluding Real Estate Deposit), Utility Deposits, Business Licenses, and Other Pre-Paid Expenses.

This category includes business license fees and an allowance for other pre-paid expenses that some suppliers may require. The high estimate includes an allowance for a utility company deposit which some utility companies require to activate service.

This category also includes the cost of building permits. The permitting process and attendant costs vary substantially by local jurisdiction.

The high estimate does not include a one-time charge that some local municipalities or utility companies impose on a first-time business owner that locates a business in a new development or building for initial connection or activation or other types of pre-paid expenses peculiar to a particular location that are beyond the scope of our prototypical assumptions. You should investigate if pre-paid fees like these apply to the sites you are considering proposing for the Approved Location.

NOTE 9. Professional Fees. Professional fees include expenses that you may incur before the Opening Day and during the first three months of operation for architectural and design planning services, legal and accounting. You will require design assistance to prepare construction drawings for your Franchised Studio based on the construction specifications that we provide to you when you sign the Franchise Agreement and the particular dimensions of the Approved Location. You may require an accountant and an attorney to provide services with the formation of a new business entity to own the franchise and review contracts, including this Disclosure Document, the Franchise Agreement and premises lease.

NOTE 10. Grand Opening Marketing. You must spend a minimum of $10,000 during the period beginning with 90 days before and continuing through the first 30 days after the Opening Date on approved grand opening marketing activities to publicize the opening of your Franchised Studio. The high range is an estimate of the expenses that you may incur during the 3-4 months before the Opening Date if you choose to engage in a sustained targeted marketing program with the goal of generating awareness of the impending opening of your Franchised Studio and reservations for membership and class packages. We encourage franchisees to engage in heavy "grand opening" marketing before the Opening Date to develop immediate client volume and Gross Revenue for your Franchised Studio as this will reduce cash flow burdens during the initial period.

NOTE 11. Insurance. Insurance costs vary according to your insurability and the location of the Franchised Studio. The high estimate assumes that you pay your entire annual premium for all required insurance in advance and the low estimate includes premiums for required insurance through the end of the first 3 months after the Opening Date. We make no representation that the minimum coverage that we specify will be sufficient for your business.

NOTE 12. Additional Funds - Initial Period. Other than real estate costs, which we cannot estimate and do not include in Item 7, this category includes all operating expenses that you are likely to incur during the first 3 months after the Opening Date that we do not cover elsewhere, like costs to replenish Branded Retail Merchandise inventory and supplies, janitorial supplies and services, expenses for telephones and Internet connections, utility costs, fees paid to instructors who teach at the Franchised Studio if they are independent contractors. The category of Additional Funds also includes speakers, microphones and other electronics accessories for the iPad-based sound system and the cost of integrated security cameras. At this time, we do not require your employees or independent contractors to wear specific uniforms that you must purchase, although the Confidential Manual includes recommendations for an employee dress code in order to protect the brand image and reputation of the Licensed Marks.

This category also includes an estimate of the working capital you will need for the initial period. The working capital estimate will vary greatly from one franchisee to the next based on a variety of factors including the number of instructors that you choose to hire initially and the fees, salary and other benefits you choose to pay them; the extent you will be actively involved in teaching classes; your past business ownership experience, business acumen and credit-rating; local competition; local economic conditions, including rent and wage scales; and the actual sales levels that you reach during the initial 3 month period after the Opening Date. Working capital needs are in addition to cash flow from operations. We cannot estimate your cash flow from operations.

These figures exclude payments of Royalty Fees, Brand Development Creative Fees, local advertising expenditures, and any Regional Co-op Advertising Fees since the amounts that you pay or spend will depend upon your actual Gross Revenue. We waive Royalty Fees on the first $50,000 of Gross Revenue. We do not forecast what your actual Gross Revenue will be. However, you should allow for these fees when you make your own calculations of working capital requirements and budget for the initial period. The Additional Funds category includes an allowance for payroll expenses for all opening employees and fees to instructors who work as independent contractors, but does not include an allowance for a draw or salary to you or other owners of the franchise during the period before the Opening Date or during the first 3 months of operations.

The Additional Funds category does not include any allowance for payments made to a bank or financing company on any loan that you may obtain to finance initial investment expenses. We do not arrange for financing and you must investigate equipment and general financing options on your own. The Additional Funds category also does not include any allowance for taxes attributable to business operations.

Additional Funds assumes no additional instructor training fees are paid during the initial period other than those described in Note 2.

All figures in Item 7 are estimates only. We cannot guarantee that you will not have additional expenses, or other categories of expenses, to open and begin operating your PPW Studio. You should not plan to draw income from operations during the initial period. You should have additional funds available in reserve, either in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses, losses or unanticipated events during the start-up and development stage or beyond. In estimating what your initial investment expenses will be, you should allow for inflation, discretionary expenditures, fluctuating interest rates and other financing costs, increased operating expenses, and local market conditions, all of which are highly variable factors that can result in sudden and unexpected increases in costs. You must bear all cost escalations and budget for these contingencies.

We rely on the experience of our affiliates and our principals in developing, opening and operating PPW Studios. You should review these figures and notes carefully with a business advisor before making a decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General Comments.

In operating your Franchised Studio, you must adhere to our comprehensive business methods, standards, policies and specifications comprising the PPW System that we describe in Item 1 of this Disclosure Document. We identify these specifications and requirements in the Confidential Manual in a number of different ways including by (i) designating the specific fitness equipment and Branded Retail Merchandise that you must or may use or sell by brand name, manufacturer, supplier, model number or minimum features or comparable specifications; (ii) providing layout, design and appearance specifications for the Franchised Studio; (iii) creating specific curriculum for the fitness classes that you may offer to clients of your Franchised Studio; (iv) establishing operating systems and procedures for managing your Franchised Studio; (v) identifying mandatory and recommended suppliers; and (vi) establishing marketing and brand awareness programs that identify your Franchised Studio as part of our network and set minimum standards for client experience.

These specifications and requirements promote uniformity among PPW Studios, ensure consistency in the quality of the products and services that PPW Studios offer clients, and strengthen client confidence in the Pilates ProWorks® brand name. We may revise our mandatory specifications and requirements in our discretion as frequently as we believe is necessary to promote the Pilates ProWorks® brand and network through written or electronic bulletins or supplements to the Confidential Manual. You must conform to all changes in our specifications at your cost, within the time we allow.

We estimate that the proportion of required purchases and leases of goods and services for which we identify minimum specifications to all purchases and leases that you will make of goods and services to (i) establish and open the Franchised Studio, and (ii) operate the Franchised Studio is, in each case, approximately 90% to 100%.

<u>Designated Goods/Services</u>.

We identify Designated Goods/Services in the Confidential Manual. "Designated Goods/Services" is a term that we use to refer collectively to any equipment, supplies, collateral logo merchandise, real estate location services, or other goods or services for which we designate a mandatory supplier. At this time, Designated Goods/Services fall into three categories: (i) our proprietary Pilates FitFormer™ brand machines and any other exercise equipment, mats, props or accessories that are either manufactured or produced for us to our specifications or display the Pilates ProWorks® brand name or logo; (ii) Branded Retail Merchandise that you must purchase from our designated exclusive third party supplier including branded employee t-shirts for your employees to wear at work; and (iii) goods or services that we require you to use to operate your Franchised Studio that are only available from a designated, exclusive supplier even if the goods or services do not display our brand. An example of (iii) is the MindBody studio management software system and mobile application that are available only through third party service providers.

With respect to Branded Retail Merchandise, you must purchase a small opening inventory of a core selection of Branded Retail Merchandise from our designated exclusive supplier at its then-current prices requiring a total minimum purchase before the Opening Date of approximately $1,500 (this includes roughly $200 for branded t-shirts for your employees to wear at work). After the Opening Date, you must replenish your inventory of Branded Retail Merchandise offered for retail sale at your Franchised Studio and branded employee t-shirts on an as-needed basis. Branded Retail Merchandise presently includes sweatshirt "hoodies," shorts and t-shirts and in the future may include fitness props and accessories like mats, bands, branded water bottles, hand weights and other merchandise. We regard Branded Retail Merchandise as an ancillary revenue opportunity and a collateral means of publicizing the Pilates ProWorks® brand. At your option, you may offer to sell our entire collection of Branded Retail Merchandise if you have adequate display and storage space.

In the following chart, we estimate that the cost of these items as a percentage of your total initial investment during the initial period and your regular monthly operating expenses:

Category	Supplier	Cost as a % of your initial estimated investment (Item 7)	Cost as a % of your monthly operating expenses
Pilates FitFormer™ brand machines and any other fitness or exercise equipment, mats, props and accessories	PPW Enterprises – exclusive supplier	28% - 55%	$0 except due to unanticipated extraordinary events in case you need to replace a FitFormer™ brand machine or for repair or replacement costs not covered by manufacturer warranty or due to ordinary wear and tear.
Branded Retail Merchandise including branded employee t-shirts	Exclusive third party supplier	Less than 3%	Less than 3% to replenish stock as depleted
Other goods or services that are only available from a single designated supplier	Recommended or designated third parties	Less than 1%	The MindBody monthly subscription fee will be less than 1% of your monthly operating expenses.

We may modify the list of Designated Goods/Services at any time through changes to the Confidential Manual. When changes involve Branded Retail Merchandise, we will allow you a reasonable amount of time to exhaust current inventories. If we expand the list of Designated Goods/Services, we may designate ourselves or our affiliates are the exclusive supplier or as a recommended supplier.

We or an affiliate of ours will derive revenue on account of our or their direct sale of Designated Goods/Services to our franchisees. During our most recent fiscal year, we did not receive any revenue from third party suppliers on account of their transactions with our franchisees involving Designated Goods/Services. However, in the future, we or an affiliate of ours may derive revenue on account of your purchases of Designated Goods/Services from third party suppliers whom we designate as mandatory or recommended suppliers.

We classify all of the other equipment, fixtures, furnishings, supplies, signs, and other merchandise that you may, or must, use, offer or sell in operating the Franchised Studio that are not Designated Goods/Services as "Non-Designated Goods/Services." We provide minimum specifications for Non-Designated Goods/Services in the Confidential Manual. In some cases, specifications may be supplied by brand name.

You may purchase or lease Non-Designated Goods/Services from any recommended or approved supplier. At this time, neither we nor any affiliate of ours is a recommended supplier of any Non-Designated Goods/Services. If we designate ourselves or an affiliate of ours as a recommended supplier of Non-Designated Goods/Services in the future, we may derive revenue on account of your transactions with us or our affiliate. We may also derive revenue on account of your purchases of Non-Designated Goods/Services from third party suppliers whom we recommend.

Except as we disclose in this Item 8, we also have no arrangements in place at this time with any designated, recommended or approved suppliers to make payments or provide material benefits to us on account of franchisee transactions. However, in the future, we may arrange with designated, recommended or approved suppliers to pay us revenue or non-cash benefits on account of transactions with our franchisees. We have no obligation to notify you of these arrangements in advance or obtain your prior consent. We may condition our approval of a particular supplier on their willingness to pay us revenue or non-cash benefits on account of their transactions with our franchisees. As we note, in the future, we or our affiliates may be a designated or exclusive supplier.

During our most recent fiscal period ending 12/31/18, our affiliate, PPW Enterprises, had total revenue of $63,571 of which $28,285, or approximately 44%, was from its direct transactions with our franchisees during our last fiscal year. This information is based on our affiliate's unaudited financial statements. The revenue amount is a gross amount and is not net of PPW Enterprises' own expenses to procure the FitFormer™ brand Pilates equipment that it sold during our last fiscal period.

During our most recent fiscal period ending 12/31/18, we received no revenue from third party suppliers on account of their transactions involving goods or services of any kind with our franchisees.

Purchasing Arrangements.

The only purchasing arrangements in place at this time are for our FitFormer™ brand machines, Branded Retail Merchandise, and the mobile application that integrates with Mind/Body software, each of which you must purchase from one of our designated affiliates.

In the future, we may negotiate special purchasing arrangements with recommended third party suppliers of Designated Goods/Services or Non-Designated Goods/Services. These arrangements may include price discounts based upon the collective volume of purchases by all PPW Studios (including purchases by affiliates of ours that own PPW Studios). We make no representation about our ability to secure certain prices, payment or credit terms, or delivery conditions.

There are no purchasing or distribution cooperatives in existence at this time.

Alternative Suppliers – Approval Process.

We may recommend one or more suppliers for each item of Non-Designated Goods/Services that you must use to operate the Franchised Studio. We identify current recommended suppliers of Non-Designated Goods/Services in the Confidential Manual and may revise the list of recommended suppliers periodically. While neither we nor any affiliate of ours is currently a recommended supplier of any Non-Designated Goods/Services, we may be included in a list of recommended suppliers in the future.

If you wish to purchase or lease any Non-Designated Goods/Services from a supplier who is not pre-approved by us, you must request our approval in writing before you may use or buy the Non-Designated Goods/Services. The Confidential Manual explains the procedures you must follow to apply for our approval. In some cases, we may ask you to submit samples or information about the supplier so that we can make an informed decision about whether the products, services, equipment, fixtures, furnishings, signs, inventory or supplies, and proposed supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular Non-Designated Goods/Services, but the supplier's production and delivery capability, overall business reputation and financial condition. We may inspect a proposed supplier's facilities and test its products and charge a testing fee based on our actual cost not to exceed $2,500 per request.

We will notify you in writing within 30 days after we receive all supporting information from you and complete our inspection or testing to advise you if we approve the proposed item and/or supplier. However, our failure to send you written notice by the end of 30 days signifies that we disapprove the proposed item and/or supplier. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and confidentiality of competitive or proprietary information.

We may re-inspect or revoke our approval of a supplier or item at any time to protect the best interests of Pilates ProWorks® brand reputation and the Pilates ProWorks® Intellectual Property. Revocation is effective immediately when you receive written notice from us, and following receipt of our notice, you may not place any new orders for the particular item or with the particular supplier.

We will communicate any changes or additions to our purchasing standards or procedures in writing or electronically through supplements to the Confidential Manual. We may modify our specifications, recommended suppliers or purchasing procedures at any time in our discretion and you must promptly conform to all changes at your sole expense.

We do not provide material benefits (for example, renewal or granting additional franchises) based on the fact that you purchase Non-Designated Goods/Services from a particular recommended supplier. We may, however, terminate your franchise if you purchase or use unapproved products, or buy Designated Goods/Services or Non-Designated Goods/Services from suppliers that are not designated, recommended or approved by us.

Mandatory Addendum to Lease.

You, we and the landlord of the proposed franchise premises must sign our Addendum to Lease (**Exhibit D**). The Addendum is a contract that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason. We do not derive any revenue by requiring the Addendum to Lease. The landlord's agreement to sign the Addendum to Lease is a condition to site approval.

Insurance.

Before you open the Franchised Studio, you must purchase and throughout the Franchise Agreement term maintain in full force and effect the types of insurance policies in the minimum coverage amounts and meeting the other specifications that we specify in the Confidential Manual and summarize in Item 6. All mandatory insurance policies must name us as an additional insured. While we may be a beneficiary of your insurance, we do not derive any revenue from the insurance policies that you obtain for your business with one exception: if you fail to purchase required insurance, we may, at our election (and without waiving our right to terminate the Franchise Agreement because of your breach) purchase the insurance coverage for you and collect a service fee from you equal to 25% of the cost of the replacement insurance.

PPW Studio Memberships and Gift Cards.

At this time, you may only offer and sell membership and class packages for your own Franchised Studio and gift cards that are redeemable at your Franchised Studio. In the future, we may introduce a network-wide membership program or multi-class package that allows clients reciprocity access at any PPW Studio or an electronic gift card program redeemable at any PPW Studio besides the one where the membership, class package or gift card is bought. We may require that you participate in these network-wide programs. We will notify you before we launch any network-wide programs and explain the reciprocity rules and other conditions in the Confidential Manual including addressing how we treat transactions in the calculation of Gross Revenue (whether at the time of sale or redemption). We do not expect to derive revenue from the sale of membership or class packages or from the sale of gift cards except if transactions take place at an affiliate-owned PPW Studio.

Additional Disclosure re: Suppliers.

Our officers own an interest in our affiliate which is the sole seller of FitFormer™ brand machines. In the future, we or an affiliate may be a designated or approved supplier of other items in which case our officers may own an interest in the supplier. Otherwise, at this time, no officer of our company owns an interest in any required, recommended or approved supplier.

UCC-1 Financing Statement.

To secure your performance under the Franchise Agreement, the Franchise Agreement includes a provision in which you grant us a security interest in and to all of the tangible and intangible property that you own and use to operate the Franchised Studio. Our rights as a secured party are subject to applicable law. To perfect our security interest, we will record a UCC-1 Financing Statement. We will subordinate our security interest to a bank or other conventional lender providing financing for your purchase of the franchise. Otherwise, you may not grant another person a security interest in the tangible or intangible assets of the Franchised Studio even if their security interest is subordinate to ours without our prior written consent.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

	OBLIGATION	PARAGRAPH IN THE FRANCHISE AGREEMENT (FA)	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	IV	Items 5, 6, 7, 11
b.	Pre-opening purchases/leases	VI	Items 7, 8
c.	Site development and other pre-opening requirements	IV and VI	Items 6, 7, 11
d.	Initial and ongoing training	VII	Items 6, 11
e.	Opening	VI	Item 11
f.	Fees	X and XI	Items 5, 6
g.	Compliance with standards and policies/operating manual	II, IV and IX	Items 8, 11, 14, 16
h.	Trademarks and proprietary information	VIII	Items 13, 14
i.	Restrictions on products/services offered	XIII and XVI	Items 8, 16
j.	Warranty and client service requirements	XIII	N/A
k.	Territorial development and sales quotas	III	Item 12
l.	Ongoing product/service purchases	XII	Items 8, 11
m.	Maintenance, appearance and	IV, VI and XIII	Items 6, 8

	OBLIGATION	PARAGRAPH IN THE FRANCHISE AGREEMENT (FA)	DISCLOSURE DOCUMENT ITEM
	remodeling requirements		
n.	Insurance	XV	Items 6, 7, 8
o.	Advertising	X	Items 6, 11
p.	Indemnification	XX	Item 6
q.	Owner's participation/management/staffing	XIV	Item 15
r.	Records and reports	XII	Items 8, 11
s.	Inspection and audits	XII, XIII and XIV	Items 6, 11, 13
t.	Transfer	XIX	Items 6, 17
u.	Renewal	V	Item 17
v.	Post-termination obligations	XVII and XVIII	Item 17
w.	Non-competition covenants	XVI	Item 17
x.	Dispute resolution	XXII	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligations to a bank or landlord.

ITEM 11

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

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

Before Opening.

Before you open the Franchised Studio, we will provide you with the following assistance:

1. We will provide you with a copy of or access to the Confidential Manual during the term of the Franchise Agreement which contains mandatory and suggested specifications, standards and operating procedures. (Franchise Agreement, Section IX). We may furnish the Confidential Manual in written and electronic format. The Confidential Manual is confidential and remains our property. When your Franchise Agreement expires or terminates, you must return your copy of any portion of the Confidential Manual that we furnish to you in written

format and permanently remove any electronic content from your computer systems following our instructions,. We may modify the Confidential Manual as frequently as we determine is necessary by written or electronic supplements and will promptly share all updates with you. We attach as **Exhibit H** the table of contents of our current version of the Confidential Manual indicating the approximate number of pages devoted to each subject and total number of pages in the Confidential Manual.

2. We will provide you with our written site selection criteria, a floor plan for a prototypical PPW Studio, and guidelines that consider important demographic and physical characteristics for the location of PPW Studios. (Franchise Agreement, Section IV.A.4). You are responsible for investigating potential sites meeting our site selection criteria within a geographic area available for franchise development. You must present us with one or more proposed sites in the form of a comprehensive written site package that demonstrates that the proposed site meets our general demographic and physical criteria. Your site proposal must include a letter of intent or comparable agreement with the landlord of the site indicating that the landlord is willing to enter into a lease and our Addendum to Lease in the form of **Exhibit D**. (Franchise Agreement, Section IV.B). While we may suggest possible sites for your PPW Studio or recommend a local real estate broker to work with, we have no obligation to do so.

3. After we receive your written site proposal, we may visit the area at our expense if we feel it is necessary to inspect the physical or demographic conditions of the proposed site and neighboring area to evaluate your proposal. (Franchise Agreement, Section IV.A.4b).

4. Once we approve the location for the Franchised Studio, we will designate the Protected Area. (Franchise Agreement, Section III and Section IV.A.5).

5. We will provide you with all of the construction specifications for a prototype PPW Studio showing all mandatory design, appearance and trade dress elements, leasehold improvements and placement of Pilates equipment. (Franchise Agreement, Section III.A). You are solely responsible for developing appropriate floor plans and drawings that take our prototype requirements and adapt them to the specific dimensions of the Approved Location. While we may recommend an architect, space planner or contractor to assist you with the preparation of your construction and build-out plans and drawings, you are responsible for selecting and retaining competent architectural, design and contracting services of your own choosing. However, we retain the right to approve the architect, design personnel and contractor that you select so that we can verify their overall reputation and credentials for workmanship, timeliness of performance, financial solvency and experience with retail construction. We will notify you of our decision within 15 days after we receive your request for approval of a particular architectural, design or contracting firm together with appropriate supporting information demonstrating the firm's qualifications.

6. We have 30 days after we receive complete construction and design drawings based on the actual dimensions of the Approved Location in which to indicate our approval or disapproval of your plans or supply you with comments and feedback. We must approve your plans before you may begin construction and remodeling work. (Franchise Agreement, Section IV.A.4c). During the build-out, we will address your questions about the development and construction process, but you are solely responsible for procuring building permits, purchasing or leasing fixtures and equipment, making leasehold improvements and supervising all aspects of the build-out of the Franchised Studio. You must complete construction and remodeling at your expense in conformity with the construction drawings that we approve and applicable building codes and other laws governing fitness studios in the area where you locate the

Franchised Studio. (Franchise Agreement, Section VI.A). We may conduct a final inspection of the Franchised Studio before the Opening Date to verify that your Franchised Studio, as built, complies with our approved plans, specifications and other requirements. (Franchise Agreement, Section VI.B.5). Our final approval is solely to verify that actual develop conforms to our specifications, not to evaluate the quality of the workmanship or ratify that the improvements comply with all laws.

7. We will provide you with specifications for all fitness equipment, supplies, furnishings, exterior and interior signs, and Branded Retail Merchandise inventory, and a list of the suppliers that we currently designate or recommend. We will offer advice on the quantity of FitFormer™ brand machines, other fitness supplies and Branded Retail Merchandise that you should purchase before the Opening Date so that you are ready to meet anticipated client use and requirements. (Franchise Agreement, Section XII.B). We will assist you complete and place your initial order of FitFormer™ brand machines from our affiliate, PPW Enterprises.

8. We will review your requests for approval of other suppliers of Non-Designated Goods/Services. (Franchise Agreement, Section XIII.C). As we regard Branded Retail Merchandise as an ancillary revenue opportunity and a collateral means of publicizing the Pilates ProWorks® brand, we require Franchised Studios only to offer a small core selection of styles although, at your option, you may offer to sell our entire collection of Branded Retail Merchandise if you have adequate display and storage space.

9. After you sign the Franchise Agreement, we will schedule the Business Operations Training module of our initial training program and the PPW Instructor Training module. During the Business Operations Training module, we will offer advice regarding advertising strategies to help you plan a grand opening marketing program targeting the demographics in your market matching the typical client profile of PPW Studios. (Franchise Agreement, Section VII).

10. We will provide you with New Studio Opening support at a specific time period determined by us by mutual agreement. We will provide New Studio Opening support in your Franchised Studio to help you implement our operating procedures, implement grand opening marketing programs, participate in Opening Date activities, and help you teach your staff and instructors how to use the MindBody software suite. (Franchise Agreement, Section VII.A.3)

<u>After Opening.</u>

After you open the Franchised Studio, we provide you with the following assistance:

1. We will regularly consult with you and provide advice in response to your inquiries about specific administrative and operating issues at the Franchised Studio. In our discretion, we decide how best to communicate our consultation and advice, whether through our secure Intranet, by telephone, in writing, other electronic format like email, or in person. The method we choose in your case may be different than the methods we use for another franchisee. (Franchise Agreement, Section XIV.B).

2. Upon your or our request, we will provide additional on-site training at your Franchised Studio to address specific operating issues that you bring to our attention. You must pay us our then-current training fee specified in the Confidential Manual and reimburse us for our reasonable expenses in providing on-site instruction, including expenses for air and ground transportation, lodging, meals, and personal charges. (Franchise Agreement, Section VII.E).

3. If you request specific "Fitness Director Support Services" and we agree to provide them, we will confirm the scope of and dates for these services, which may include by example teaching a guest class at your Franchised Studio, holding a master class for your current instructors, or observing activities at the Franchised Studio and delivering feedback and direction in response to your request for specific on-site support. We must mutually agree upon the scope of and dates for the mutually-agreed upon Fitness Director Support Services in writing, and you must pay us the Fitness Director Support Services fees that we describe in Item 6 of this Disclosure Document. (Franchise Agreement, Section XIV.C.3).

4. We periodically repeat the Business Operations Training and PPW Instructor Training modules of our initial training program according to network-wide demand. You may enroll later management hires whom you want to qualify as a Certified Manager and instructors whom you want to add to your teaching faculty after the Opening Date who do not participate in the initial training program. We will also offer several different continuing education programs including Lead Instructor classes and annual instructor and Lead Instructor recertification classes, and offer training in any new fitness class routines that we add to the PPW Studio curriculum. We conduct all training programs at an operating PPW Studio in the United States that we designate unless we agree to hold training in your Franchised Studio. We will publish our training class schedule on the system-wide Intranet. Enrollment is based on space availability on a first-come basis and is subject to paying our then-current training fees. (Franchise Agreement, Section VII.D).

5. You will have access to PPW Interactive, digital learning tools that we create and continuously update with ideas to enhance the effectiveness of your fitness instructors and make them more skillful teachers of our proprietary curriculum. We will issue secure sign-in credentials to those instructors that you designate giving them access to new curriculum ideas that we post periodically. (Franchise Agreement, Section XIV.C).

6. As we disclose in Item 1, we currently offer the PPW School as an optional feature of the franchise program and an additional revenue opportunity. Franchisees that elect to participate will host an intensive 7 day training program at their PPW Studio that our instructors will run for your clients and other members of the public who wish to obtain a Pilates ProWorks® certification and deepen their understanding of the Pilates method of exercise. See additional disclosures in Items 1 and 6 regarding fees payable by the host location to us . As a host location, you set the enrollment fees for students who enroll in the PPW School at your PPW Studio. (Franchise Agreement, Section XIV.C).

7. When we reach sufficient size, we may conduct an annual business meeting of franchisees to address new fitness programs, new Designated Goods/Services and supplier relationships, recently-implemented changes in the PPW System, our public training programs, and other topics of common interest to our franchisees, including client recruitment strategies, personnel administration, new purchasing and supplier arrangements, and local marketing strategies. If we decide to hold an annual business meeting, we will determine its length and location and may require that you or at least one Primary Owner and at least one Certified Manager of the Franchised Studio attend. No annual meeting will exceed 3 days in length nor require attendance by more than 3 persons. We may charge a registration fee of up to $500 per person. If we conduct an annual meeting, we may select its location, which may vary from year to year. (Franchise Agreement, Section XIV.D). You must pay for all travel expenses for you and your employees and independent contractors who attend the annual meeting. (Franchise Agreement, Section XIV.D).

8. We will periodically revise the Confidential Manual and promptly supply you with all updates electronically or in writing. (Franchise Agreement, Section IX.B).

9. We will review your request to use or sell Non-Designated Goods/Services not already approved by us or to purchase Non-Designated Goods/Services meeting our specifications from a supplier not on our recommended list. (Franchise Agreement, Section XIII.C.3).

10. We or our designee will periodically visit the Franchised Studio to inspect your operations, observe and interview your instructors and employees, and review your books and records (including data stored on your computer system) in order to verify your compliance with the Franchise Agreement and the Confidential Manual. These inspections may be recorded on video or audio tape. We will also use our integrated security cameras to observe activities at your Franchised Studio remotely. (Franchise Agreement, Section XIV.C).

11. We will administer the Brand Development Creative Fund that we describe elsewhere in this Item 11 and review any advertising that you create for your local use. (Franchise Agreement, Section X.A and Section X.C).

12. We intend to maintain a website where we promote PPW Studios and will provide each PPW Studio with its own "click through" subpage. You may customize the subpage for your Franchised Studio to provide the public with operating hours, class descriptions and schedules, location and travel directions, instructor profiles, and information about special events, with the ability for clients to sign-up for classes and other services that you offer and purchase membership and class packages and gift cards. Depending on the content changes that you wish to make, at your request we will input the changes in exchange for your payment of the subpage customization fee as we disclose in Item 6. We forbid you to have your own website for your Franchised Studio with a different URL address that is not a subpage of our website. We, alone, determine all policies pertaining to the use of website subpages, which we regard as local advertising. (Franchise Agreement, Section X.C and Section X.D).

13. We plan to introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery shopper visits to your Franchised Studio and provide you with critical feedback about the effectiveness of your operations from a client perspective and whether the fitness instruction delivered by your instructors complies with our training regimens and meets our standards. When we implement the program, you must participate in it and pay the Mystery Shopper Fee that we disclose in Item 6. (Franchise Agreement, Section XIV.C.2).

14. When we reach sufficient size, we intend to implement a franchisee advisory council ("FAC") to provide us with input and feedback on different initiatives and programs. We will determine the FAC's governance rules, including the number of franchisee representatives and method for conducting elections.

15. We will continue to monitor developments in the fitness industry, developments among our competitors including identifying new services, programs and classes offered by competitors, trends in fitness apparel and merchandise, and other opportunities in order to keep the Pilates ProWorks® brand and network competitive.

<u>Advertising Services</u>.

1. <u>Brand Development Creative Fund</u>. See generally, Franchise Agreement, Section X.

At this time, you must pay Brand Development Creative Fees to us equal to 1.5% of the Gross Revenue of your Franchised Studio. After your Franchised Studio has been open and operating for at least a year, we may increase Brand Development Creative Fees by increments of 0.5% of Gross Revenue on 30 days written notice, up to a maximum Brand Development Creative Fee equal to 3% of Gross Revenue.

We deposit all Brand Development Creative Fees into the Brand Development Creative Fund, which we administer for the benefit of all PPW Studios. As the administrator, we direct all advertising and promotional programs and have sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all programs. We do not promise that we will spend the Brand Development Creative Fund in any given geographic region or that the benefits you receive will be in proportion to your contributions.

We may use the Brand Development Creative Fund to pay for the cost to prepare and produce advertising materials; purchase media space or time; administer local, regional and national advertising programs, including buying direct mail pieces and promoting PPW Studios on social media sites; employ advertising, public relations and media buying agencies and professionals to assist us in these activities; and support general public relations, market research and other advertising and marketing activities. Additionally, in our discretion, we may use the Brand Development Creative Fund to furnish our franchisees with advertising and promotional formats and materials, like advertising art, print and media templates, point of sale materials, promotional graphics, and videos, and social networking website content. We may also use the Brand Development Creative Fund to pay for any direct expenses that we incur to support our website and any network wide membership and gift card programs that we introduce in the future. Upon request, we may agree to provide you with multiple copies of Brand Development Creative Fund marketing, advertising and promotional materials if you pay us to reproduce the materials for you.

We intend to use the Brand Development Creative Fund to support the cost of maintaining the www.pilatesproworks.com website and individual subpages for each PPW Studio.

We may charge the Brand Development Creative Fund for our cost of maintaining a toll-free telephone number and system-wide Intranet to the extent we use each to provide our franchisees with marketing assistance and support.

We do not charge the Brand Development Creative Fund for marketing expenses that we incur to recruit new franchisees.

The Brand Development Creative Fund is not a trust. However, we keep and account for the Brand Development Creative Fund separately from our other funds. Out of the Brand Development Creative Fund, we may pay ourselves for the direct costs, salaries, travel expenses, administrative costs and other direct overhead that we incur to administer the Brand Development Creative Fund, including the cost of preparing the annual accounting of the Brand Development Creative Fund, expenses to collect Brand Development Creative Fees from delinquent franchisees, costs to develop specific marketing and advertising programs (including costs for market research and production), and costs to fund any annual meeting of franchisees if we elect to hold one. Direct expenses in any year will not exceed 25% of the Brand Development Creative Fund's total revenues including aggregate Brand Development Creative Fees that we collect from franchisees.

In any given year, we may spend more or less than the total amount of Brand Development Creative Fees that we collect for that year. If we over-spend or under-spend actual collections, we will carry-forward any Brand Development Creative Fund deficit or surplus to a future fiscal period. We treat interest paid on Brand Development Creative Fund bank balances as additional Brand Development Creative Fund revenue. You authorize us to collect and deposit in the Brand Development Creative Fund any specially earmarked advertising or promotional funds that a designated supplier pays to us on account of your purchases. If we receive any rebates from a supplier on account of the supplier's transactions with our franchisees that the supplier earmarks must be spent on marketing, we will deposit the rebates into the Brand Development Creative Fund as additional revenue unless a supplier requires us to apply the rebates for a different purpose or does not restrict our use of the funds. (Franchise Agreement, Section X.A).

We will prepare an annual income and expense statement showing Brand Development Creative Fund collections and expenditures and will furnish you with a copy upon written request. These financial statements are prepared by our staff and are not audited by an outside accountant.

We may terminate, and resume, the Brand Development Creative Fund periodically during your franchise term, however, any decision to terminate or resume the Brand Development Creative Fund will apply to all current franchisees equally. We will not terminate the Brand Development Creative Fund before making arrangements to spend or rebate any balance in the Brand Development Creative Fund account after payment of all expenses. If we resume the Brand Development Creative Fund, we will collect Brand Development Creative Fees at the rate specified in your Franchise Agreement at that time.

PPW Studios that we or our affiliates own will contribute to the Brand Development Creative Fund at a rate that is equal to the lowest percentage contribution rate that any PPW Studio franchisee then pays to the Brand Development Creative Fund.

During our most recent fiscal period ending 12/31/18, we collected Brand Development Creative Fees from franchisees and from our affiliates that operate PPW Studios. In our most recent fiscal year ending 12/31/18, the percentage breakdown of how we spent the Brand Development Creative Fund expenditures is as follows:

Production	10%
Media placement costs, advertising	10%
Administrative expenses	0%
Other (expenses for marketing, public relations services and business development to develop brand awareness of the Pilates ProWorks® name)	80%
TOTAL	100%

2. Local Advertising.

You may not use any materials in any format (print, electronic, broadcast, or the like) that we classify as local advertising or engage in local advertising or promotional and marketing activities to promote the Franchised Studio without our prior written approval. We also forbid you to solicit sponsorships or endorsements or enter into other types of strategic marketing alliances without our prior approval. The Confidential Manuals explain what we classify as local advertising and the procedures for obtaining our prior written approval.

To apply for our approval of proposed local advertising, you must submit a copy or transcript of any local advertising materials in the exact form you intend to use them together with information that explains your proposed media plan, promotional event or other intended use. We have 20 days to review your request. If you do not receive our written approval within 20 days, that means we do not approve your materials or proposed local advertising (unless we notify you that we need additional time to review your materials). If you use or conduct local advertising that we approve, you must do so in the exact format or as represented to us in your approval request. (Franchise Agreement, Section X.C.3). As a condition of our approval, you must permit us and other franchisees that we authorize to use your materials without compensation.

You must spend a minimum of 1% of Gross Revenue each calendar quarter on local advertising after the Franchised Studio opens. You must substantiate your local advertising expenditures each calendar quarter upon request. By the end of each year, your average local advertising expenditures must average at least 1% of Gross Revenue. If the average over the course of a year is less than 1%, then you must promptly pay us the difference, plus an amount equal to 25% of the difference, which we will deposit into the Brand Development Creative Fund. Your failure to spend 1% of Gross Revenue on local advertising each year during the term of the Franchise Agreement is a material breach of the Franchise Agreement.

We will credit your local marketing requirement for the first calendar quarter after the Franchised Studio opens with sums that you spend on grand opening marketing. If we assign you to a Regional Advertising Co-op, we will credit a portion of the Co-op Advertising Fees to the Co-op to your minimum local marketing requirement. The credit will equal 0.5% of Gross Revenue.

We treat all website or ecommerce activities as local advertising and forbid you to have your own website with its own URL address to promote the Franchised Studio. We consider the content that you place on your third party social media websites and on the Franchised Studio's subpages that are publicly accessible by "clicking through" from our website to be local advertising and we have the right to approve the content as part of our general right to approve all forms of local advertising. All public or private online communications must comply with our social media networking policy that we include in the Confidential Manual. We do no credit payments that you make to us to customize or modify the content on your Franchised Studio's subpage or payments that you make to third parties to set up or support your mobile applications to your minimum required expenditures for local advertising.

3. Grand Opening Marketing.

During the Business Operations Training module of our initial training program and afterwards before the Opening Date, we will work with you to design a grand opening marketing program including opening day activities for the Franchised Studio. The specifics of the grand opening program that we recommend for your Franchised Studio will depend on a number of factors including local competition and the proximity of other PPW Studios.

During the period beginning 90 days before and ending 30 days after the Opening Date, you must spend a minimum of $10,000 on approved grand opening marketing activities during this 90 day time frame. As local marketing, grand opening promotional activities require our prior written approval.

Within 30 days after we request the information, you must furnish us with documentation substantiating that you have spent at least the minimum required on grand opening marketing. If your lease requires you to pay grand opening fees to the landlord, we credit those payments towards your minimum obligation. See generally, Franchise Agreement, Section XIII.L.3.

4. Regional Advertising Co-op.

We may establish a Regional Advertising Co-op in an advertising market once we believe there are enough PPW Studios operating in the market to provide a critical mass for joint advertising and promotion. We will determine the boundaries of the Regional Advertising Co-op and may modify the boundaries at any time effective upon written notice. We may require that one Regional Advertising Co-op merge with another Regional Advertising Co-op servicing an adjacent advertising market or we may subdivide a Regional Advertising Co-op into smaller groupings depending on changes in media penetration and marketing zones that traditional media use.

While no Regional Advertising Co-ops exist in our franchise system at this time, you must participate in any Regional Advertising Co-op that we later form that covers a geographic area encompassing the Franchised Studio. We will give you at least 30 days written notice before an assignment becomes effective and will not assign you to more than one Regional Advertising Co-op at any time. If we, one of our principals, an affiliate of ours or members of our or their management own a PPW Studio in a Regional Advertising Co-op's market, we or they will particulate on the same basis as you do and contribute to the Regional Advertising Co-op at the same rate that our franchisees in that region contribute. Your Regional Co-op Advertising Fees payable to the Regional Advertising Co-op will not exceed 1.5% of Gross Revenue unless 65% of the owners of PPW Studios in your Regional Advertising Co-op approve an increase or special assessment, in which case you will be bound by the super-majority decision even if you vote against it. As we note above, we credit a portion of the Co-op Advertising Fees to your minimum local advertising requirement.

We will provide each Regional Advertising Co-op with standard governing rules that the members of the Regional Advertising Co-op may modify with our approval beforehand. Members may not modify certain rules, like voting rights, our right to approve all advertising in advance, or your maximum obligation for contributions to the Regional Advertising Co-op. If we assign you to a Regional Advertising Co-op, we will allow you to review the governing rules for your Co-op upon request following notice of the assignment.

The members of each Regional Advertising Co-op will elect their own leadership and each Regional Advertising Co-op is responsible for its own administrative expenses. The Regional Advertising Co-op must assign any rights in the materials that it creates to us without compensation so that we and our other franchisees may use the same materials. Each Regional Advertising Co-op must prepare quarterly and annual financial statements, which need not be audited, and make them available to all Regional Advertising Co-op members and to us.

We may dissolve a Regional Advertising Co-op, but only if we decide to dissolve all Regional Advertising Co-ops at the same time. For example, we may decide to centralize all group advertising activities in the Brand Development Creative Fund.

5. Advertising Councils.

At this time, there is no advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for promoting PPW Studios generally.

When we reach a sufficient size, we may implement a FAC to provide us with input and feedback on different initiatives and programs. We may use the FAC to provide us with strategic input on system-wide marketing initiatives or may form a separate franchisee advertising council consisting of franchisees who do not then serve on the FAC. If we form a franchisee advertising council, we will appoint the members and the council will serve in an advisory capacity only. The council will not have operational or decision-making authority and its recommendations will not be binding on us. We may alter the function and/or composition of the franchisee advertising council at any time and may dissolve the council upon 30 days written notice.

Additional Disclosures re: Site Selection.

Unless you own or are leasing retail space that meets our demographic and other site selection criteria that you would like to adapt to the design, appearance, trade dress and leasehold improvement elements of a PPW Studio and which we approve for conversion to a PPW Studio, you will begin the site selection process immediately after you and we sign the Franchise Agreement. You alone must evaluate potential sites, subject to our site approval process. To help you evaluate sites, we will provide you with demographic and construction specifications. We may also recommend a local real estate broker that you may wish to work with in researching potential sites for your Franchised Studio.

We consider a variety of demographic factors in approving locations for PPW Studios, including the following: (i) population and household size, population sorted by gender and age, average household income, average income by gender, and comparable statistical data; (ii) general cleanliness and security of the area; (iii) parking availability; (iv) lighting, visibility of signs and general street exposure; (v) rental rates and lease terms; (vi) compatibility of neighboring and adjacent retail tenants; (vii) the proposed site's location within a larger retail complex in terms of pedestrian flow and visibility; (viii) square footage, existing condition and adaptability of the space as a fitness studio; (ix) proximity of competitors; (x) convenient ingress and egress for foot and vehicular traffic; (xi) local economic conditions; and (xii) building, health, sign and other applicable codes, ordinances, regulations and restrictions.

In obtaining site approval, you may propose two or more sites for our approval simultaneously, but in order for us to consider any site request, you must submit a complete site package for each site that you propose that includes a letter of intent or other suitable evidence confirming your ability to obtain a lease for the site and the landlord's willingness to sign our Addendum to Lease. (Franchise Agreement, Section IV.A.4a).

We have 30 days after we receive all required site information to consent to or reject the proposed site. If you propose more than one site, we only need to approve one site. If we do not consent to any of the sites that you propose within the 30 day period, it means that we reject the site (or all sites if you propose more than one). After we give our consent to a site, you and the landlord must enter into a lease and our form Addendum to Lease (**Exhibit D**). We may condition site approval on our review and approval of the lease for the Franchised Studio before you may enter into the lease with the landlord.

Typical Length of Time Between Signing Franchise Agreement and Opening Date.

We estimate that the typical length of time between when you sign the Franchise Agreement and the Opening Date of a Franchised Studio is between 5 and 8 months. As we explain in Item 5, we may terminate the Franchise Agreement if you do not obtain site approval and sign a lease and Addendum to Lease within 120 days after signing the Franchise Agreement.

The actual length of time that it will take you to open the Franchised Studio after you sign the Franchise Agreement will depend on a number of factors including how long it takes you to find a satisfactory site; secure needed financing; obtain our approval of construction drawings; secure all necessary building and zoning permits; and complete the build-out process. Your actual time may also be longer due to contingencies like weather, acts of God, material shortages and labor stoppages that are beyond your control.

Before you may begin teaching classes or open for business, we must issue a written completion certificate signifying that the Franchised Studio, as built-out, substantially conforms to our design specifications, and you have met other pre-opening requirements, including completing Business Operations Training and have one or more instructors on your staff who has completed our PPW Instructor Training program. No instructor may teach a class at your Franchised Studio unless they hold a certificate issued by us certifying their successful completion of our PPW Instructor Training program. (Franchise Agreement, Section VI.C.1)

Computer System.

You must subscribe to and use MindBody PRO or a higher level of software offered by MINDBODY, Inc., a leading third party technology company based in San Luis Obispo, California offering web-based technology solutions for fitness, wellness and beauty care service businesses. You must contact MINDBODY, Inc. to subscribe to a license for your Franchised Studio and will pay monthly subscription fees directly to MINDBODY, Inc. according to the particular software level that you select. Monthly subscription fees cover technical support, software upgrades and updates and initial set-up training. You will pay us an initial MindBody set-up fee of $450 before you open your Franchised Studio.

MindBody PRO offers a variety of convenient administrative functions from instructor and class scheduling to payroll and cash register (POS) accounting, class reservations, credit card processing, inventory management and business reports. MindBody PRO will also allow franchise owners remote access to view and create reports, add instructors, change security settings and view class and transaction activities even if you are not physically at the Approve Location. Likewise, by giving your instructors their own remote access code, they can remotely check their class schedules and class enrollment. MINDBODY Inc. offers levels of software higher than MindBody PRO which you may prefer over MindBody PRO or you may add additional software features according to your needs for an additional monthly fee, like gift card and credit card processing and providing clients with individualized identification tags that they may scan in order to sign themselves in upon arrival to class.

You are solely responsible for training your instructors and staff in the proper use of the MindBody software system that you choose to use. More information about MindBody's software levels and subscription fees is available from the company's website, http://www.mindbodyonline.com/

Additionally, you must subscribe to MindBody's mobile application software service that integrates with the MindBody PRO and higher software levels and allows your clients to schedule classes and complete transactions from their smart phone.

At this time, the monthly subscription fees payable to MindBody for MindBody PRO is $95/month and for the mobile app is $58/month for both Apple and Android application formats. MindBody may increase its subscription fees and impose other charges at any time according to the terms of your contract with MindBody and we have no control over these matters. We do not receive any payment from MindBody on account of your transactions with MindBody. The MindBody software that you must use includes point-of-sale software. We will have the ability to remotely access the MindBody software to review your Gross Revenue information to verify the amount of Royalty Fees and Brand Development Creative Fees payable to us.

You must purchase compatible computer hardware to operate the MindBody software system. According to MINDBODY, Inc., its software is compatible with all currently sold PC and Apple-based operating systems. For a prototype PPW Studio of between 2,500 and 4,000 square feet, we require you to have one front desktop Apple computer; at least one other laptop primarily for client sign-ins; one iPad per exercise room for staff use and music source; one printer; basic non-proprietary office software (Excel, Word); and one magnetic card reader for Branded Retail Merchandise sales.

We may also require you to use specific non-proprietary accounting software that we specify by brand name like QuickBooks, install functional features for virus protection, and generate monthly profit and loss statements and other accounting reports following our uniform reporting system. You may purchase computer hardware and non-proprietary office software meeting our specifications from any source. We estimate that the initial cost of the basic computer hardware and non-proprietary office software for a PPW Studio of between 2,500 and 4,000 square feet will range from $2,667 to $4,194.

You are solely responsible for all costs to maintain the computer hardware. We estimate that your annual cost to repair, maintain and upgrade computer hardware and non-proprietary office software (other than to replace outdated hardware) will cost less than $500 per year. There is no computer equipment leasing program in place at this time.

You must also maintain high-speed Internet access and an active e-mail address allowing you to download information from our network Intranet, communicate through e-mail, receive, send and store documents and perform other back-office business functions.

You must permit us unlimited remote access to the data stored on your computer system. We may require you to provide us with all passwords, access keys and other security devices as necessary to permit our access. Nothing limits our right to access or use the data we retrieve. (Franchise Agreement, Section XII.B.3).

You must also install integrated security cameras giving us remote visual access to watch activities at your Franchised Studio on demand. Your expenses to purchase integrated security cameras would likely run between $1,500 to $2,500 based on a prototype PPW Studio of between 2,500 and 4,000 square feet.

Upon 30 days written notice, we may require you to replace obsolete or outdated hardware components or software with newer technology or designate a different exclusive vendor, including us or an affiliate. We may replace MindBody software with another technology suite or with proprietary software. There are no contractual limitations on the frequency or cost of future updates, upgrades or replacement components or systems. We will endeavor to provide you with reasonable written notice of all upgrades, updates and replacement specifications to allow you sufficient time to implement changes. We cannot estimate the future cost of maintaining, updating and upgrading MindBody software or replacing the MindBody software should we chose another technology platform. We do not represent that you will be able to fully amortize these costs over the time remaining in the term of your Franchise Agreement. Nevertheless, you must implement these changes, including paying us reasonable licensing fees if we introduce proprietary software in the future, at the same rate that we charge other Pilates ProWorks® licensees, since a uniform communications and recordkeeping system is essential to our ability to evaluate individual PPW Studio results, compare individual results to network-wide performance and industry trends, market the Pilates ProWorks® brand, maintain goodwill with existing clients of Pilates ProWorks® Studios, and help our franchisees compete for new clients in a highly competitive environment.

During the term of the Franchise Agreement, we may recommend new software applications that will aid your operation of the Franchised Studio. Unless we specify that use is mandatory, you may decide whether to subscribe for these applications and use them in your business. At this time, we recommend that franchisees subscribe to GroupEx Pro software, a web-based application that our affiliates currently use in operating their PPW Studios, that allows private secure communications among instructors and between your staff members and instructors to facilitate scheduling and sharing class ideas and other information. If you choose to use this or any other optional software, you will subscribe directly and obtain your own credentials.

Training:

TRAINING PROGRAM
(Initial Training Program)

SUBJECT/MODULE	HOURS OF CLASS-ROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Business Operations Training Total length: up to 5 days/8 hours per day Who must attend: At least two management-level employees or Primary Owners whether or not that person intends to actively teach classes at your Franchised Studio. When: By mutual arrangement, to start within	Up to 20 hours	Up to 20 hours	At an operating PPW Studio that we designate which we anticipate will be in San Francisco. We may modify the schedule at our discretion based on your previous management experience.

SUBJECT/MODULE	HOURS OF CLASS-ROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
30 to 60 days after you sign a lease for Approved Location.			
PPW Instructor Training (pre-Opening Date) – separate programs for Studio A (Pilates only) and Studio B subjects (Matbox and Tone & Flow exercises). Only Studio A instruction must be completed before opening; Studio B instruction may be completed after opening, but must be completed before offering classes in Studio B subjects to the public. Who must attend: Anyone who wants to teach classes at your Franchised Studio and each person whom you want us to certify as the Certified Manager whether or not that person intends to actively teach classes at your Franchised Studio. When: By mutual arrangement ideally to be completed at least two weeks before the Opening Date.	Studio A = 40 hours Studio B per subject = 24 hours Depending on a student's prior teaching experience and skill level, we may shorten the length of required PPW Instructor Training.	0	Your Franchised Studio except if construction on your Franchised Studio is significantly delayed and holding PPW Instructor Training in your Franchised Studio will only delay the Opening Date further. In that case we will conduct PPW Instructor Training at an operating PPW Studio in the United States.
New Studio Opening Total length: up to 5 days/8 hours per day Who must attend: All opening employees and instructors. When: By mutual arrangement over a 5 day period straddling the Opening Date.		40 hours	Your Franchised Studio

Before you open the Franchised Studio, we will provide you with a comprehensive initial training program which presently consists of three separate modules: (i) Business Operations Training; (ii) PPW Instructor Training; and (iii) New Studio Opening. The actual length of each module may be shorter than we show in the chart depending upon previous experience. The above chart summarizes who must attend each module, the location of the module, and when the module begins or finishes relative to the Opening Date. Our Confidential Manual serves as our instructional materials. See generally, Franchise Agreement, Section IX.

Business Operations Training covers a variety of topics germane to the franchise relationship including a review of Franchise Agreement duties; the philosophy and culture of the

PPW System; client services; use and protection of the Licensed Marks and Confidential Manual; reporting obligations; and local marketing. Depending on when we actually conduct Business Operations Training relative to your progress with the build-out of the Franchised Studio, we will also address questions regarding build-out issues during Business Operations Training. We try to schedule Business Operations Training to begin at a mutually convenient time within 30 to 60 days after you sign a lease for the location that we approve for the Franchised Studio.

We limit attendance at the Business Operations Training module to Primary Owners and any other management-level personnel whom you want to qualify as a Certified Manager. If a Primary Owner will serve as the initial Certified Manager, you may enroll just one Primary Owner in the pre-opening Business Operations Training module. However, since we require the Franchised Studio to be under the direct supervision of a Certified Manager at all times and qualification as a Certified Manager depends, among other things, on successfully completing the Business Operations Training and PPW Instructor Training modules, we strongly advise franchisees to qualify two or more Certified Managers before the opening of the Franchised Studio in case of employee turn-over. We limit enrollment in the in the pre-Opening Date Business Operations Training module to a total of 5 people per Franchised Studio. We encourage, but do not require, all Primary Owners to complete the Business Operations Training module.

We hold Business Operations Training at an operating PPW Studio that we designate. You must pay all personal expenses for yourself and your employees to attend training, including transportation, lodging, food, salary and other personal charges.

All management-level personnel whom you want to qualify as a Certified Manager whether or not they will teach classes at your Franchised Studio and all individuals whom you want to teach classes at your Franchised Studio once it opens must attend the PPW Instructor Training. Unless construction of your Franchised Studio is significantly delayed, we hold this training in your Franchised Studio with the aim of finishing the 10 day course roughly two weeks before the scheduled Opening Date. Otherwise, if construction is significantly delayed, we will conduct pre-Opening Date PPW Instructor Training at an operating PPW Studio in the United States that we designate and you must pay all personal expenses for yourself and your employees to attend training, including transportation, lodging, food, salary and other personal charges.

We require that all of your opening employees and instructors participate in the New Studio Opening module that we conduct at the time of the Franchised Studio's opening, straddling the Opening Date.

We do not charge a training fee for providing the Business Operations Training module before the Opening date, but do impose a per person fee for providing the PPW Instructor Training before the Opening Date as part of the initial training program. We also charge a per person fee for Business Operations Training and PPW Instructor Training after the Opening Date if you want to qualify additional individuals as a Certified Manager or add new instructors to your teaching faculty. We explain all training fees in Item 6. All individuals who attend Business Operations Training and PPW Instructor Training must complete training to our satisfaction.

We also provide certain continuing training programs including a Lead Instructor certification training program for PPW certified instructors who are your employees and meet minimum experience requirements and teach a minimum number of classes per month at your Franchised Studio. A Lead Instructor certification qualifies an instructor to deliver our PPW Instructor Training course to your new instructors instead of enrolling them in our PPW Instructor Training program and paying us training fees. A Lead Instructor certification also qualifies the Lead Instructor to conduct public classes in how to teach our classes to others.

Additionally, all instructors including Lead Instructors must satisfy minimum annual recertification requirements including passing a recertification evaluation class. At our discretion, we may conduct recertification either as a live class in your Franchised Studio, at an operating PPW Studio in the United States that we designate, or by videotape or other remote means like Skype. Lead instructors must meet higher recertification standards to maintain their Lead Instructor status although the recertification fee is the same as for general instructors. We disclose recertification training fees in Item 6.

You must pay our travel costs for any training that we conduct at your Franchised Studio and are responsible for paying the travel costs of your employees who receive training outside of your Franchised Studio.

We may modify the initial training program at any time by adding, deleting or revising the modules, curriculum, training instructors, training locations, duration of training and other requirements.

All training programs are run under the supervision of Taylor Carter, our managing member and President who launched the Pilates ProWorks® business model and has been instrumental in the operations of all of the PPW Studios developed by our affiliate since 2010.

ITEM 12

TERRITORY

The Franchise Agreement gives you the right to open one PPW Studio at a location that we must approve (i.e., the Approved Location) before you enter into a lease for the location.

We assign each PPW Studio a Protected Area which will identify in our site approval notice and which will be a geographic area where at least 15,000 women, or at least 30,000 men and women, between the ages of 25 and 55 reside or work with a minimum annual individual or household income of $75,000 at the time of site approval. The Office of Management and Budget publishes geographic, statistical and population data relying on the most recent U.S. census data and we use this data to identify your Protected Area. Our site approval notice will identify the proposed boundaries of the Protected Area according to roads or other geographic or political boundaries. If you agree with the proposed Protected Area, you and we will sign **Schedule A** to the Franchise Agreement to ratify the Approved Location's address and the Protected Area's boundaries. We will not extend the 120 day period that you have within which to satisfy site selection conditions if you may reject the Protected Area that we propose when the proposed Protected Area meets these minimum demographic conditions according to the most recent census data.

Neither we nor our affiliates will establish or award franchise rights to anyone else to operate a Franchised Studio in the Protected Area that we assign to your Franchised Studio. The Protected Area will not change due to later population or demographic changes in the general market area that you serve or for any other reason.

In your Protected Area, we agree not to open or operate, or license others to open and operate, a fitness studio (i) that is identified by the same or a confusingly similar trade name to our primary Licensed Mark, Pilates ProWorks®, or (ii) where at least 60% of the classes taught at the fitness studio are Pilates method classes.

Your territorial rights relate strictly to the location of another PPW Studio within the Protected Area, not to clients. Your territorial rights do not give you the exclusive or superior right to service clients who reside or work in the Protected Area that we assign to your Franchised Studio. A client who resides or works in your Protected Area may frequent any other PPW Studio without the owner of the other PPW Studio having to pay you compensation and vice-versa. The franchise rights that we award to you do not give you the exclusive or preferential right to use the Licensed Marks or the PPW System in the trade area where you do business and do not in any way limit our use of the Licensed Marks or the PPW System anywhere or for any purpose.

We do not promise that the Protected Area that we assign to each Franchised Studio will be identical in size or population. However, each Protected Area will meet the minimum population and demographic criteria that we describe in this Item 12.

You may not relocate the Franchised Studio except to a location that we approve in writing. Relocation is at your sole expense and subject to certain conditions that we specify in the Franchise Agreement. The new location must satisfy our then-current minimum demographic conditions. If we approve the new premises that you propose, you must improve the new location consistent with our then-current trade dress and construction requirements for new PPW Studios and use your best efforts to complete relocation without any interruption in the continuous operation of the Franchised Studio unless you obtain our written consent beforehand to close your Franchised Studio for business. The new location need not be within the original Protected Area, but will be subject to the rights of any existing Franchised Studio owner. Once we approve the new location, we will assign it a new Protected Area according to our then-current minimum criteria, which may be materially different than the criteria that we describe in this Item 12. As a condition of consenting to a temporary closure until you complete relocation, we may require you to pay Royalty Fees, Brand Development Creative Fees, and any Regional Co-op Advertising Fees (if we implement a program in your area) based on the average fees paid before the closure. Additionally, we may require you to spend the then-current minimum amount on grand opening marketing that we then require of new franchisees to publicize the new PPW Studio's location.

The Franchise Agreement permits you to engage only in retail transactions of authorized goods and services at the Approved Location and not at other locations whether within or outside of your Protected Area. This means, among other things, that you may not conduct fitness classes or sell Branded Retail Merchandise anywhere except at the Approved Location. While you may use your subpage to sell memberships packages and gift cards specifically for and redeemable at your Franchised Studio, you may not use your subpage (or any other Internet website) to sell Branded Retail Merchandise.

We do not restrict your advertising activities for prospective clients to your Protected Area. You may use the Internet and third party social media sites to advertise and promote your Franchised Studio with our prior written approval, but you may not use other channels of distribution to sell any type of equipment, goods or merchandise that we authorize for sale at the Franchised Studio. By "channels of distribution," we mean channels like the Internet or catalog sales. You may not sell our FitFormer™ brand machines to clients or the general public either from the Franchised Studio or through any other channels of distribution. You may not engage in wholesale sales of Branded Retail Merchandise or any other goods without our prior written consent. The term "wholesale sales" means the sale or distribution of goods to a third party for resale, retail sale or other method of distribution.

The franchise rights that we award to you do not give you the exclusive or preferential right to use the Licensed Marks or the PPW System in the trade area where you do business and do not in any way limit our use of the Licensed Marks or the PPW System anywhere or for any purpose. We do not limit other licensees of ours from engaging in advertising activities outside of their Protected Area and do not promise that they will not engage in activities soliciting clients who reside or work in your Protected Area.

Our Reserved Rights.

We reserve the right to engage in the following activities in your Protected Area directly or indirectly through an affiliate, franchisee or other type of licensee:

1. We may directly or indirectly open or license others to open a PPW Studio identified by the Licensed Marks in a non-traditional venue that is located in your Protected Area like an airport, mass transit station, hotel or other type of lodging facility, military base, office or industrial park, university or other type of school, hospital or other type of institutional venue.

2. We or our affiliates may acquire another fitness studio chain (whether or not the chain locations offer Pilates, barre fitness, or other types of exercise or yoga programs) and convert chain locations in your Protected Area to a PPW Studio. We define a chain as a network of 3 or more fitness studios regardless of their location (whether within or outside of your Protected Area) that all use a common trade name and common operating methods to identify themselves to the public. A chain may include a direct competitor of ours that offers Pilates and similar exercise regimens to our classes. We or our affiliate may operate the converted location in your Protected Area or we may license the converted location to a franchisee. You do not have any preferential right to operate or acquire the former-chain location in your Protected Area.

3. We or our affiliates may open or license others to open fitness studios in your Protected Area where at least 60% of the classes do not incorporate traditional Pilates method exercises if the fitness studios operate under a trade name that is dissimilar from Pilates ProWorks®.

4. We and our affiliates may directly or indirectly sell our FitFormer™ brand equipment, Branded Retail Merchandise or other types of goods or services of any kind through any retail or wholesale channel of distribution, including by means of the Internet, mail order catalogues, direct mail advertising, or at trade shows or at unrelated retail stores of any kind that do not do business under the Pilates ProWorks® name. For example, we and our affiliates may sell our FitFormer™ brand machine or Branded Retail Merchandise bearing the Licensed Marks from our website or from third party websites to consumers in your Protected Area or to unrelated sporting goods stores or other types of retailers, or to or from gyms and fitness studios in your Protected Area. Among other things, we and our affiliates may sell our FitFormer™ brand equipment to a full-service fitness studio or similar type of facility that offers Pilates classes if (i) at least 60% of the classes do not incorporate traditional Pilates method exercises; and (ii) the fitness studio or facility operates under a trade name that is dissimilar from Pilates ProWorks®.

5. We reserve all rights to exploit the Licensed Marks and PPW System and engage in all types, methods and channels of distribution regardless of whether we use the method now or adopt it in the future. For example, we currently offer a Nutrition Pro Meal Plan from our website to anyone interested in subscribing to this service. We do not share revenue generated from the Nutrition Pro Meal Plan with franchisees even if subscribers reside within your Protected Area. You may not offer the Nutrition Pro Meal Plan, but we may ask you to post notices in your Franchised Studio and on your subpage to inform prospective and existing clients about the availability of the Nutrition Pro Meal Plan that we offer.

Because of these reserved rights, 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.

Outside of the Protected Area that we assign to your Franchised Studio, we may open or award franchise rights to any person of our choosing to open a PPW Studio regardless of how close their PPW Studio may be located to the boundaries of the Protected Area or engage in any other activities without limitation.

Your franchise rights are not contingent on achieving any minimum sales level or other kind of sales or market penetration contingency. We will not modify the Protected Area depending on your performance or due to changes in the population or other demographic characteristics of your market area. We do not award any type of right of first refusal or preferential right to acquire additional franchises for areas immediately adjacent to, or abutting, the boundaries of your Protected Area.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you a non-exclusive license to use the PPW System under specific conditions. The PPW System refers collectively to all of the distinctive business methods, Designated Goods/Services, Confidential Information, and the Pilates ProWorks® Intellectual Property that distinguish PPW Studios. You may only use the elements of the PPW System that we designate.

You must follow our rules when you use the Licensed Marks. Among other rules and requirements, we forbid you to use any portion or feature of the Licensed Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols. You may not use the Licensed Marks to sell any unauthorized products or services in a way contrary to our instructions, or in any way that could result in our liability for your debts or cause us to be deemed to be the employer or your employees. You must use the Licensed Marks in the form and manner that we specify and follow our instructions for identifying yourself as the independent owner of the Franchised Studio. You must maintain appropriate trade name or fictitious name registrations. You may not use any other trademarks or service marks in combination with the Licensed Marks without our written approval beforehand. When you use the Licensed Marks, you must apply the special trademark symbols and ownership information that we designate. All use of the Licensed Marks is subject to our prior written authorization.

PPW Global has registered the following primary marks with the United States Patent and Trademark Office ("USPTO"):

MARK	REG. DATE	REG. NO.	USPTO REGISTER
PILATES PROWORKS (word mark)	May 22, 2012	4146223	Principal Register
FITFORMER (word mark) (for providing physical fitness services)	Sept.30, 2014	4612227	Principal Register
MATBOX	September 27, 2016	5050640	Principal

PPW Global has granted us a world-wide, non-exclusive, perpetual license of their right, title and interest in the Licensed Marks for the purpose awarding sublicenses to franchisees. Neither our agreements with PPW Global nor any other agreement significantly limits our right to use or right to license the use of all of the elements and features of the PPW System, including the Pilates ProWorks® Intellectual Property and the Licensed Marks, in any manner material to the franchise. Our agreement with PPW Global provides that if our license with PPW Global terminates for any reason, PPW Global will assume our obligations under any then-outstanding Franchise Agreements to avoid a disruption in your right to use the Licensed Marks. However, PPW Global does not guaranty our obligations to you under our Franchise Agreement with you and you are not a party and have no rights under our agreement with PPW Global.

All necessary affidavits to keep the federal registrations in force have been filed or the time for filing affidavits has not yet been reached. As of the effective date of this Disclosure Document, we are not aware of any (i) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; (ii) pending infringement, opposition or cancellation proceedings; or (iii) pending material litigation, involving the Licensed Marks.

We are not aware of any superior prior rights that could affect your use of our principal trademarks in the state where you operate your Franchised Studio. Furthermore, we are not aware of any infringing uses of our principal that could materially affect your use of our principal trademarks 13 in the state where you operate your Franchised Studio.

In the Franchise Agreement, you acknowledge that, between the two of us, we own superior rights in the Licensed Marks. You agree that you will not do anything inconsistent with our rights. You may not challenge our ownership, rights or the validity of the Licensed Marks. You must permit reasonable inspection of your operations and supply us with specimens of all uses of the Licensed Marks upon request. You may not use the Licensed Marks in advertising or marketing materials unless and until we approve the materials beforehand.

You agree that the nature and quality of all products and services that you sell at or from the Franchised Studio or in using the Licensed Marks and all related advertising, promotional, and other activities that you engage in that associate you and the Franchised Studio with the Licensed Marks must conform to the standards for quality and other specifications that we establish.

You must notify us immediately if you learn about (i) any improper use of the Licensed Marks, (ii) a third party's use of a mark or design that is confusingly similar to any of the Licensed Marks, or (iii) any challenge to your use of any of the Licensed Marks. We will take whatever action we think is appropriate under the circumstances (including taking no action), and will control the prosecution, defense or settlement of any legal action. You must cooperate and assist us in defending our rights in the Licensed Marks with regard to any third party claims. You and your owners and management must agree not to communicate with any person other than us and our counsel about any infringement, challenge or claim. You may not take any action in your own name. Unless we establish that a third party claim is due to your misuse of the Licensed Marks, we will defend you in matters relating to your proper use of the Licensed Marks. However, we will not reimburse you for any lost profits or consequential damages of any kind and will only reimburse you for any actual expenses that you incur to change your signs and other uses of the Licensed Marks if we agree to cease using all, or particular elements of the Licensed Marks as part of the resolution of the third party claim.

You must modify or discontinue using any aspect of the Licensed Marks, and add new names, designs, logos or commercial symbols to the Licensed Marks as we instruct. We may at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signs, labels and tags attached to Branded Retail Merchandise, or any display of the Licensed Marks on advertising, marketing materials, the subpage we provide you with that is linked to our website, or on any other tangible property in your Franchised Studio at your expense.

We forbid you to use the Licensed Marks in any electronic mail address or in any domain name. You may not maintain your own website to promote the Franchised Studio. Other than the subpage that we provide you with that is linked to our website, you may not maintain a presence or advertise on the Internet or on any other public computer network, or any other kind of public modality, using the Licensed Marks or referencing your Franchised Studio or any PPW Studios without our written consent beforehand, which may be withheld in our sole judgment. This restrictions applies to use of the Licensed Marks on third party social media websites like Facebook and twitter.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

At this time, neither we nor our affiliates own any patents that are material to the franchise. We regard the manufacturing specifications of our FitFormer™ brand machines to be a trade secret and treat the information as confidential. Although we have not filed an application with the United States Copyright Office to copyright the Confidential Manual, our website content or any of the advertising or marketing materials that we have developed, we may do so in the future and claim common law copyright rights in these materials and regard them as our proprietary information.

You may use the Confidential Manual, our advertising and marketing materials and any other confidential or proprietary information that we choose to share with you only to operate and promote the Franchised Studio during the term of the Franchise Agreement and only in the manner that we authorize. You may not duplicate, copy, disclose or disseminate the contents of the Confidential Manual or other proprietary or confidential information without our consent beforehand.

We may modify the Confidential Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost. When the Franchise Agreement expires or terminates, depending on the format that we furnish the Confidential Manual, you must physically return all copies in your possession or delete electronic content from your computers and not retain any copies. You must keep the Confidential Manual confidential, updated and, depending on the format that we furnish it, in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Confidential Manual, the terms of our master copy will control.

We are not aware of any agreements or third party claims of infringement that might limit our, or your, use of our FitFormer™ brand machines, Confidential Manual or any other confidential or proprietary information or materials that we allow you to use. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceedings or material litigation involving any information or materials in which we claim a copyright or regard as proprietary or as our trade secret.

All confidential information that we identify and share with you is part of the PPW System. You may not divulge confidential information about the PPW System or the results of the Franchised Studio's operations to any person, except to your employees and professional advisors who must know the information in order to carry on their employment duties or render professional advice to you. We may require those to whom you must disclose confidential information to sign a Confidentiality Agreement in a format that includes the non-disclosure provisions in **Exhibit G**, which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information.

You are encouraged to bring your own ideas and suggestions to us for our consideration and we will decide if we wish to implement the idea or improvement into the PPW System. You may not implement ideas or improvements that materially alter the PPW System or modify the FitFormer™ brand machines without our prior written consent. As a condition of our approval, the Franchise Agreement provides that you quitclaim to us all rights that you may have in and to the idea or improvement as our exclusive property. You must execute the agreements that we believe are necessary to give us exclusive ownership of the improvements, without compensation, and agree that we may use and incorporate the improvements and any ideas that you may originate in the PPW System.

The disclosures that we make in Item 13 regarding your duty to notify us about improper uses, infringement claims and challenges to your use of the Licensed Marks apply to all other intellectual property rights that we include in the term "Pilates ProWorks® Intellectual Property." This includes claims alleging that our FitFormer™ brand machines, distinctive trade dress, or other confidential or proprietary ideas or property rights that we treat as "Confidential Information," like the content of our Confidential Manual and any source codes relevant to any proprietary software that we may introduce later as part of the PPW System, a third party's intellectual property rights. If you bring a third party claim to our attention that involves other the Pilates ProWorks® Intellectual Property (other than claims involving the Licensed Marks which we address in Item 13), we will take whatever action we think is appropriate under the circumstances (including taking no action), and will control the prosecution, defense or settlement of any legal action. You must cooperate and assist us in defending our rights in the materials or information that we claim is our property. You and your owners and management must agree not to communicate with any person other than us and our counsel about any infringement, challenge or claim. You may not take any action in your own name. Unless we establish that a third party claim is due to your misuse of the FitFormer™ brand machines, Confidential Manual or any other confidential or proprietary ideas or property rights that we allow you to use, we will defend you in matters relating to your use of the PPW System. However, we will not reimburse you for any lost profits or consequential damages of any kind and will only reimburse you for the amount of any settlement or liability imposed by the court and any for any actual expenses that you incur to change your operations to discontinue use of any infringing materials if we agree to do so as part of the resolution of the third party claim.

Item 17 discloses additional information about your duties regarding confidentiality and covenants against competition.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must devote the requisite time, energy, and best efforts to meet your obligations to us under the Franchise Agreement. Although we do not require you or a Primary Owner personally to devote full time and attention to managing and supervising all administrative and operational activities of your Franchised Studio or perform the duties of a Certified Manager, we require you or a Primary Owner to complete both the Business Operations and PPW Instructor Training modules and annual instructor certification even if you do not intend to teach fitness classes.

At all times, the Franchised Studio must be under the direct, full-time supervision of a Certified Manager. While we recommend that a Primary Owner qualify as a Certified Manager, we do not require that your Certified Manager be a Primary Owner. We define a "Certified Manager" in Item 1 as a full-time management level employee who devotes full-time and attention to supervising the day-to-day operations of the Franchised Studio and successfully completes both the Business Operations and PPW Instructor Training modules and passes annual recertification as a PPW instructor even if the Certified Manager does not plan to teach fitness classes.

While we do not require you to have a Lead Instructor, there are advantages in having a certified instructor qualify as a certified Lead Instructor for your Franchised Studio since a Lead Instructor can deliver the PPW Instructor Training program to prospective fitness instructors whom you wish to add during the term of the Franchise Agreement and conduct public classes in how to teach our classes to others. To qualify, the instructor must be your employee and meet minimum experience and teaching requirements.

As the independent owner of the Franchised Studio, you control the manner and means of operating the Franchised Studio and have sole responsibility for all of your staff members whether you classify them as your employees or independent contractors. You alone will make all hiring and firing decisions and establish your own employment and engagement policies. All individuals who work at your Franchised Studio must be competent, conscientious, and properly trained by you to perform their duties. Fitness instructors may not lead classes at your Franchised Studio unless they hold a current PPW Instructor certificate issued by us. You are ultimately responsible for the performance of your employees and agents.

You must prominently display appropriate notices in a format that we designate to inform the public that you independently own and operate the Franchised Studio under a license from us and are not our agent.

Each of your owners, employees, independent contractors, and agents who are given access to any information that we deem to be proprietary or confidential must enter into a written confidentiality agreement either with us or with you. We designate the form of contract and attach a copy of our current contract as **Exhibit G**. Additionally, instructors whom you classify as your employees may not teach any type of fitness class at any other facility while they are your employee. This restriction does not apply to instructors whom you classify as an independent contractor.

While your instructors (whether they are employees or independent contractors) teach at the Franchised Studio and after their relationship with you ends, they may not use the same or similar exercise scripts or music that we include in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios. This restriction continues to apply to your instructors and former instructors for as long as there is any PPW Studio operating anywhere in the world.

Similar restrictions apply to individuals who qualify as Covered Persons. The Franchise Agreement defines "Covered Persons" to mean (i) the individual executing the Franchise Agreement as franchisee; (ii) an officer, director or manager of a business entity that is a franchisee or a person who performs equivalent duties; (iii) Primary Owner; or (iv) a Certified Manager. Unless one of your instructors falls within the scope of (i) – (iv), the individual is not a Covered Person. Covered Persons are subject to restrictions against competition that we describe in Item 17 of this Disclosure Document. After the restrictions against competition applicable to Covered Persons end, for as long as there is any PPW Studio operating anywhere in the world, no Covered Person may use the same or similar exercise scripts or music as we include in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.

If you are a corporation, limited liability company or other business entity, each person who owns 20% or more of the equity or voting interests of the business entity must sign a Personal Guaranty (**Exhibit F**) agreeing to be jointly and individually liable for all of your obligations under each Franchise Agreement. This applies also to persons who acquire a 20% or greater interest after you sign the applicable contract.

If you are married, your spouse will be asked to execute a Spousal Consent (**Schedule D** to the Franchise Agreement) acknowledging that your obligations under the Franchise Agreement are binding upon the marital community.

You are an independent contractor and not our representative, partner or employee. You have no authority to make any contract, agreement, warranty or representation or to create any obligation binding on us.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In operating the Franchised Studio, you must offer all of the fitness classes, Branded Retail Merchandise and other goods and services that we designate as part of the core Pilates ProWorks® franchise program and nothing else except with our prior written approval. You may not create or add any additional classes, workshops, or special programs without our prior approval. As part of the core Pilates ProWorks® franchise program, you must offer a small selection of Branded Retail Merchandise styles, but may, at your option, offer to sell the entire collection of branded retail Merchandise depending on the size of your Franchised Studio and whether there is adequate display and storage space. You may not use your Franchised Studio as a personal storefront for any sales or promotion of products or services that you offer elsewhere, including skin care products, nutrition supplements, massage or other professional services.

Among other changes that we may implement, we may modify the specific exercise routines or change the fitness methods that we teach, add new types of fitness classes, or expand the types of fitness regimens that we offer including, for example, adding yoga instruction. We may modify the names that we use to identify fitness classes. We may also modify Branded Retail Merchandise styles and selection by adding new lines and discontinuing particular goods. We may add new Designated Goods/Services, discontinue approving certain designated suppliers of Designated Goods/Services, and substitute new suppliers or recommended different vendors of Non-Designated Goods/Services. We may modify appearance and trade dress elements and sign requirements. For example, at a later date, we may introduce new fitness equipment or props that you must use to teach specific fitness classes. All of these changes may increase your operating expenses. We communicate all changes by written or electronic bulletins or revisions to the Confidential Manual. There is no limit on the frequency that we may impose these modifications. You will be given a reasonable time period after notice from us in which to implement these changes and discontinue any practices which we delete from the PPW System. You may not place new orders with any vendors whom we remove from our approved list.

You may only offer fitness classes and engage in retail sales of Branded Retail Merchandise at or from the Approved Location and not elsewhere or, in the case of Branded Retail Merchandise sales, not from any other location or from any website. Otherwise, we do not impose any restrictions regarding the clients to whom you may sell authorized products and services.

We may use the Brand Development Creative Fund to advertise fitness classes and other authorized products and services at the specific resale prices that we suggest. In the future, we may implement policies regarding the minimum prices at which you may advertise and set minimum and maximum prices consistent with applicable law. Otherwise, you will establish your own prices.

Your operations must comply with all applicable laws. These include the laws and licensing requirements that we describe in Item 1. You must investigate what laws apply to your business and ensure that you comply with them.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The Franchise Relationship

These tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
A. Length of the franchise term	V.A	10 years
B. Renewal or extension of the term	V.B	One 10 year renewal term
C. Requirements for franchisee to renew or extend	V.B, V.D	Your right to exercise the renewal option depends on whether we are still awarding new Pilates ProWorks® franchises in the United States at the time you give us notice that you wish to exercise the renewal option. We may discontinue the franchise program at any time. In that case, your franchise rights will expire at the end of the original 10-year franchise term. In order to exercise the renewal option, you must be in good standing under the expiring Franchise Agreement; sign the then-current Franchise Agreement; satisfy our then-current design, appearance and trade dress elements for the Franchised Studio; if upgrades to fitness equipment are necessary, install all new equipment; pay the renewal fee; complete any special training that we require for renewing franchisees; and sign a general release. You must also negotiate with the landlord to extend your occupancy rights for the entire renewal term or relocate the Franchised Studio to a new location with our approval. In each case, the landlord must sign our then-current Addendum to Lease. The then-current Franchise Agreement that you sign may contain materially different terms and conditions than the expiring Franchise Agreement.
D. Termination by franchisee	XVII.A	You may terminate the Franchise Agreement only if we fail to cure an alleged material breach of the Franchise Agreement or begin to cure the alleged breach within the cure period we are allowed under the Franchise Agreement.
E. Termination by franchisor without cause	XVII	Termination without cause is only possible by mutual agreement.

Provision	Section in Franchise Agreement	Summary
F. Termination by franchisor with cause	IV.C, XVII.D	We may only terminate the Franchise Agreement for good cause based on your material default. Certain events constituting a material default are curable while others are not curable.
G. "Cause" defined – curable defaults	XVII.C	Except for defaults that the Franchise Agreement identifies are not curable, you have 30 days after notice to cure all defaults, except that you have 10 days after notice to cure a monetary default.
H. "Cause" defined – non-curable defaults	XVII.B	The Franchise Agreement identifies the following defaults as not curable in which case termination is effective upon receive of a notice of default: Your failure to obtain site approval for the Approved Location and sign a lease and Addendum to Lease within 120 days after the date you sign the Franchise Agreement; your breach of the lease or loss of the right to occupy the Approved Location for cause; your bankruptcy or insolvency; your assignment for the benefit of creditors; if a liquidator or receiver is appointed for all or substantially all of your Franchised Studio assets unless the appointment is dismissed within 60 days; a material misrepresentation or omission in your application for the franchise rights; your conviction or plea of no contest to a crime or offense that we reasonably believe is likely to adversely affect the reputation of the Licensed Marks; if you fail to comply with any law within 10 days after being notified of non-compliance; an unauthorized transfer; misuse of the Confidential Manual, the Licensed Marks or any other confidential information; receipt of 3 or more notices of default within any 24-month period; the unauthorized closure of the Franchised Studio or failure to actively operate the Franchised Studio for any length of time under circumstances making it reasonable for us to assume you have abandoned the Franchised Studio; false reporting; or your acts or inactions resulting in an imminent danger to public health or safety at the Franchised Studio. Termination of a Franchise Agreement will not automatically result in the termination of any other Franchise Agreements then in-effect between us for another PPW Studio unless the same material breach constitutes a breach of the other Franchise Agreement and we follow the termination procedures in each Franchise Agreement.
I. Franchisee's obligations on termination/non-renewal	XVIII.A	Your obligations on termination or expiration of the Franchise Agreement include the following: You must de-identify the Franchised Studio; cease using all FitFormer™ brand machines and allow us the right to repurchase your machines at your book value (original

Provision	Section in Franchise Agreement	Summary
		cost less any depreciation taken by Franchisee as permitted consistent with generally accepted accounting principles); cease selling any remaining inventory of you Branded Retail Merchandise and allow us the right to purchase salable inventory from you at your original cost; remove or stop using any property including signs and interior décor items that suggest or imply that you are, or were, an authorized franchisee or a former Franchised Studio or are still associated with us or the PPW System; you must sign a general release; allow us the right to assume your lease under the terms of the Addendum to Lease (**Exhibit D**); assign your telephone numbers and business listings to us if we request; pay us all sums that you owe to us or our affiliates through the effective date of termination or expiration and any damages that we sustain in enforcing the post-termination/expiration provisions of the Franchise Agreement; and return or destroy the contents of the Confidential Manual. If we exercise our right to purchase your FitFormer™ brand machines and inventory of Branded Retail Merchandise, we may offset from what we pay any amounts that you owe to us. In addition to repurchasing your FitFormer™ brand machines and Branded Retail Merchandise inventory, the Franchise Agreement gives us a right of first refusal to purchase the non-fixture physical assets of the Franchised Studio upon termination or expiration of the Franchise Agreement. If we exercise our option, we may offset any other fees or sums that you owe to us from the purchase price.
J. Assignment of contract by franchisor	XIX	There are no restrictions on our right to assign the Franchise Agreement, except that our obligations must be fully assumed by the assignee.
K. "Transfer" by franchisee: definition	XIX	The Franchise Agreement is a personal service contract. We forbid any kind of Event of Transfer, whether done voluntarily or by operation of law, unless you first obtain our written consent. An "Event of Transfer" includes the sale, assignment or disposal of any interest in the Franchise Agreement, the transfer of substantially all of your Franchised Studio assets, or a change in ownership of a controlling interest of a franchisee that is a business entity (a corporation, limited liability company or partnership).
L. Franchisor approval of transfer by franchisee	XIX	Any Event of Transfer requires our written consent beforehand, which we agree not to unreasonably withhold.
M. Conditions for franchisor approval of transfer	XIX	The proposed buyer must submit an application to us and meet our current qualifications for new franchisees.

Provision	Section in Franchise Agreement	Summary
		In addition, the proposed buyer must sign our then-current Franchise Agreement and related agreements (which may materially vary from your Franchise Agreement) for a term that is equal in duration to the remaining term of your Franchised Agreement and, if unexercised, the renewal term. You or the proposed buyer must pay us the applicable transfer fee depending on whether the Event of Transfer is a Qualified Transfer or not. The proposed buyer must complete the Business Operations Training program and qualify at least one person as a Certified Manager (if the buyer employs someone who has previously qualified as a Certified Manager, the buyer does not have to qualify a second person as a Certified Manager). The proposed buyer must also either arrange with previously certified training instructors to continue to teach at the Franchised Studio after the closing date or arrange with Company to send a sufficient number of prospective instructors to complete PPW Instructor Training before the closing date to accomplish a seamless transition without interruption in the delivery of fitness classes or other operations to the public. You must sign a general release.
N. Franchisor's right of first refusal to acquire franchisee's business	XIX.D	We can match any third party offer to buy your franchise rights, assets or controlling interest which is the subject of a proposed Event of Transfer. We have 30 days in which to exercise our right of first refusal. We do not have a right of first refusal when the Event of Transfer is a Qualified Transfer.
O. Franchisor's option to purchase your business	XVIII	Upon termination or expiration of the Franchise Agreement, we may, at our option, purchase any or all of your FitFormer™ brand machines at your book value, your inventory of Branded Retail Merchandise in salable condition at your cost, and any non-fixture physical assets of the Franchised Studio at depreciated book value. If we exercise our option, we may offset any other fees or sums that you owe to us from the purchase price and require you to assign us your leasehold interest under the terms of the Addendum to Lease (**Exhibit D**).
P. Death or disability of franchisee	XIX.H	Because the Franchise Agreement is a personal service contract, we treat the death of a Primary Owner that results in a change in the ownership of a controlling interest of a franchisee that is a business entity as an Event of Transfer subject to all transfer conditions. We also regard a permanent incapacity of a Certified

Provision	Section in Franchise Agreement	Summary
		Manager as an Event of Transfer if there is no other Certified Manager employed by you at the time. You must replace a Certified Manager who is unable to fulfill his or her duties due to disability with another Certified Manager who qualifies. The Franchise Agreement gives us the option to manage the Franchised Studio for up to 90 days immediately following death or a permanent incapacity if we believe the remaining members of your management team lacks the financial ability or business skills to operate your Franchised Studio in accordance with the Franchise Agreement. We retain the right to manage the Franchised Studio in order to facilitate an orderly transition of ownership with minimal disruption to the Franchised Studio's continuous operation and client relationships and to avoid any damage to the brand reputation. If we assume management responsibility, you must pay us a Management Fee. We may extend this management period for up to a year by mutual agreement.
Q. Non-competition covenants during the term of the franchise	XVI.A. 1	The Franchise Agreement forbids you and each Covered Person during the term of the Franchise Agreement from directly or indirectly engaging in a Competitive Business. The Franchise Agreement defines a Competitive Business as any business (whether owned by a business entity or as a sole proprietorship) that derives at least 20% of its total Gross Revenue from the (i) manufacture or sale of exercise equipment at retail or wholesale; or (ii) the delivery of fitness instruction to the general public or to persons specifically seeking to qualify as a fitness instructor to teach others. The restriction against competition applies world-wide during the term of the franchise or for 2 years after a Covered Person severs his or her relationship with you. Instructors who are not Covered Persons, but whom you classify as your employees may not teach any type of fitness class at any other facility while they are your employee. This restriction does not apply to instructors whom you classify as independent contractors. During the term of the Franchise Agreement, no instructor (regardless of whether the instructor is, or was, your employee or independent contractor) may use the same or similar exercise scripts or music as we include in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.
R. Non-competition covenants after the franchise terminates or expires	XVI.A. 2	The Franchise Agreement forbids you and each Covered Person from directly or indirectly engaging in a Competitive Business that is located within 5 miles of

Provision	Section in Franchise Agreement	Summary
		another PPW Studio anywhere in the world whether or not the PPW Studio was open for business on the date your Franchise Agreement terminates or expires or opens at a later date. This restriction applies for 2 years after the termination or expiration of the Franchise Agreement. After your instructors cease working at your Franchised Studio (whether they were your employees or independent contractors), they may not use the same or confusing similar exercise scripts or music that they used to teach classes at your Franchised Studio so that the overall impression of the classes that they teach elsewhere is substantially similar to classes offered by PPW Studios. This restrictions remains in effect for as long as there is any PPW Studio operating anywhere in the world. Additionally, with respect to Covered Persons, after the restrictions against competition applicable to Covered Persons end, for as long as there is any PPW Studio operating anywhere in the world, no Covered Person may use the same or similar exercise scripts or music as we include in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.
S. Modification of the agreement	XXIVI.G	The Franchise Agreement may not be modified except by a written agreement that both of us sign. As noted throughout this Disclosure Document, the Franchise Agreement, among other things, gives us the right to modify or change the PPW System in our discretion through changes in the Confidential Manual if the changes do not fundamentally alter your rights under the Franchise Agreement.
T. Integration/merger clause	XXIV	Only the terms of the Franchise Agreement are binding (subject to state law). Nothing in the Franchise Agreement requires you to waive or disclaim any of the representations that we make in this Disclosure Document.
U. Dispute resolution by arbitration or mediation	XXII	With limited exceptions pertaining to claims for (i) damages under $10,000; (ii) injunctive relief or other forms of provisional remedies; or (iii) unlawful detainer or similar remedy available to a landlord, all disputes arising out of the Franchise Agreement must first be submitted to mediation. If mediation does not resolve the dispute, the matter must be resolved in court.
V. Choice of forum	XXII.C	The Franchise Agreement has a forum selection provision which requires that a lawsuit to be filed in the state or federal courts located closest to our

Provision	Section in Franchise Agreement	Summary
		headquarters, which at this time are in San Francisco, California. Certain states have laws that supersede the choice of forum in the Franchise Agreement and require that a lawsuit be brought in the state or federal courts in the franchisee's home state. See the State Addendum, **Exhibit I**.
W. Choice of law	XXII.F	California law applies. Certain states have laws that supersede the choice of law provision in the Franchise Agreement. See the State Addendum, **Exhibit I**.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchises, nor is there any public figure who is involved in any respect with the actual management or control of our company.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any financial performance 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 us at 234 Bush Street, San Francisco, California 94104, attention Taylor Carter, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Applicable disclosure laws require us to furnish certain information about PPW Studios and franchisees for our last 3 fiscal years.

Table 1 **System-wide Outlet Summary as of December 31, 2018**				
Column 1 **Outlet Type**	**Column 2** **Year**	**Column 3** **Outlets at the Start of the Year**	**Column 4** **Outlets at the End of the Year**	**Column 5** **Net Change**
Franchised	2016	3	6	+3
	2017	6	8	+2
	2018	8	10	+2
Company-Owned (includes locations owned by entitles affiliated with us)	2016	5	6	+1
	2017	6	3	-3
	2018	3	2	-1
Total Outlets	2016	8	12	+4
	2017	12	11	-1
	2018	11	12	1

TABLE 2 **Transfers of Outlets from Franchisees to New Owners** **(other than to Us or Our Affiliates) as of December 31, 2018**		
Column 1 **State**	**Column 2** **Year**	**Column 3** **Number of Transfers**
California	2016	0
	2017	0
	2018	0

TABLE 2 Transfers of Outlets from Franchisees to New Owners (other than to Us or Our Affiliates) as of December 31, 2018		
Florida	2016	0
	2017	0
	2018	0
Illinois	2016	0
	2017	0
	2018	0
Minnesota	2016	0
	2017	0
	2018	0
Virginia	2016	0
	2017	0
	2018	0
Washington	2016	0
	2017	0
	2018	0
Total	2016	0
	2017	0
	2018	0

TABLE 3
Status of Franchise Outlets as of December 31, 2018

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
California	2016	3	2	0	0	1	0	4
	2017	4	1	0	0	0	1	4

TABLE 3 Status of Franchise Outlets as of December 31, 2018								
	2018	4	1	0	0	0	0	5
Florida	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Minnesota	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Virginia	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Washington	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	1
Totals	2016	3	4	0	0	1	0	6
	2017	6	3	0	0	1	1	8
	2018	8	2	0	0	0	0	10

TABLE 4 Status of Company-Owned Outlets as of December 31, 2018 (US Locations Only)							
Column 1 **State**	**Column 2** **Year**	**Column 3** **Outlets at Start of Year**	**Column 4** **Outlets Opened**	**Column 5** **Outlets Reacquired From Franchisees**	**Column 6** **Outlets Closed**	**Column 7** **Outlets Sold to Franchisees**	**Column 8** **Outlets at End of the Year**
California	2016	3	0	1	0	0	4

TABLE 4 Status of Company-Owned Outlets as of December 31, 2018 (US Locations Only)							
	2017	4	0	0	1	1	2
	2018	2	0	0	0	1	1
Illinois	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Minnesota	2016	1	0	0	0	0	1
	20167	1	0	0	0	1	0
	2018	0	0	0	0	0	0
Virginia	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Washington	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Totals	2016	5	0	1	0	0	6
	2017	6	0	0	1	2	3
	2018	3	0	0	0	1	2

TABLE 5 Projected New Franchised Outlets as of December 31, 2019			
Column 1 **State**	**Column 2** **Franchise Agreements Signed as of 12/31/18 But Outlet Not Opened as of 12/31/19**	**Column 3** **Projected New Franchised Outlets in the Next Fiscal Year as of 12/31/19**	**Column 4** **Projected New Company – Owned Outlets In the Next Fiscal Year as of 12/31/19**
CA	0	0	0
FL	0	2	0
IL	0	0	0

TABLE 5 Projected New Franchised Outlets as of December 31, 2019			
MN	0	0	0
VA	0	0	0
WA	0	1	0
Total	0	3	0

We disclose on **Exhibit K** the contact information of former franchisees that left the PPW System during our last fiscal year either because they had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the last fiscal year, or have not communicated with us during the 10 weeks before the filing of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not signed any confidentiality clauses with any current or former franchisee which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations at this time that are associated with the franchise system which we have created, sponsored or endorsed.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit J** are our audited financial statements for our fiscal years December 31, 2018, December 31, 2017 and December 31, 2016. Also attached are our unaudited balance sheet and profit and loss statement for the period from January 1, 2019 through March 31, 2019.

ITEM 22

CONTRACTS

The material agreements that we use in this state are exhibits to this Franchise Disclosure document as follows:

EXHIBIT C – Franchise Agreement
- Schedule A – Approved Location and Protected Area
- Schedule B – Personal Guaranty
- Schedule C – Addresses for Notice
- Schedule D – Spousal Consent

EXHIBIT D – Lease Addendum
EXHIBIT E – General Release
- Schedule – A Dispute

EXHIBIT F – Personal Guaranty
- Schedule A – Ownership Interest
- Schedule B – Dispute Resolution

EXHIBIT G – Confidentiality Agreement
- Schedule A – Dispute Resolution

EXHIBIT I – State Addendum and Amendment to Franchise Contracts for certain states
EXHIBIT L – Closing Acknowledgement (Declaration of Franchise Applicant)

ITEM 23

RECEIPTS

The last 4 pages of this Disclosure Document are detachable receipt pages (**Exhibit N**). Please insert the name, address and telephone number of the franchise seller, and date and sign both copies. Detach the last 2 pages and return to us promptly on execution. Retain the other copy of the receipt pages for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

PPW Franchising, LLC
234 Bush Street
San Francisco, California 94104
Attention: Taylor Carter
Telephone: 415-913-7717
franchise@pilatesproworks.com

EXHIBIT A

LIST OF ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the federal and state agencies having responsibility for franchising disclosure/registration laws:

FEDERAL

Federal Trade Commission
6th and Pennsylvania Avenue, N.W.
Washington, D.C. 20580
(202) 523-1753

STATE AGENCIES

California California Department of Business Oversight State of California Suite 750 320 W. 4th Street Los Angeles, California 90013-2344 (213) 576-7500 1 (866) 275-2677 ask.dbo@dbo.ca.gov	**Maryland** Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360
Hawaii Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division State of Hawaii P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	**Michigan** Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennen Williams Building, 6th Floor Lansing, Michigan 48933 (517) 373-7117
Illinois Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**Minnesota** Minnesota Department of Commerce Franchise Section 85 7th Place East St. Paul, Minnesota 55101-2198 (651) 296-6328
Indiana Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681	**New York** Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211

North Dakota North Dakota Securities Department State of North Dakota Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712	**Virginia** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th floor Richmond, Virginia 23219 (804) 371-9051
Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	**Washington** Department of Financial Institutions Securities Division State of Washington 150 Israel Rd. SW Tumwater, Washington 98501 (360) 902-8738
Rhode Island Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 222-3048	**Wisconsin** Division of Securities Department of Financial Institutions Wisconsin Commissioner of Securities P.O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-8559
South Dakota Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823	

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

California California Department of Business Oversight State of California Suite 750 320 W. 4th Street Los Angeles, California 90013-2344	**Michigan** Michigan Department of Commerce Corporation & Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
Hawaii Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813	**Minnesota** Commissioner of Commerce Minnesota Department of Commerce Franchise Section 85 7th Place East St. Paul, Minnesota 55101-2198
Illinois Office of Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706	**New York** Secretary of State State of New York 99 Washington Ave Albany, New York 12231
Indiana Secretary of State State of Indiana 201 State House 200 West Washington Street Indianapolis, Indiana 46204	**North Dakota** North Dakota Securities Commissioner North Dakota Securities Department Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510
Maryland Maryland Securities Commissioner Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, Maryland 21202-2020	**Oregon** Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon 350 Winter Street, N.E. Room 21 Salem, Oregon 97310

<table>
<tr><td>Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02920</td><td>Washington

Director of Financial Institutions
Securities Division
State of Washington
150 Israel Rd. SW
Tumwater, Washington 98501</td></tr>
<tr><td>South Dakota

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501</td><td>Wisconsin

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington, 4th Floor
Madison, Wisconsin 53703</td></tr>
<tr><td>Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219</td><td></td></tr>
</table>

EXHIBIT C

FRANCHISE AGREEMENT

EXHIBIT C

PPW FRANCHISING, LLC

FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made this ___ day of ___________, ________ ("Effective Date") by and between PPW Franchising, LLC, a Delaware limited liability company ("Company") and ___________ ("Franchisee").

RECITALS

A. Company awards franchises to qualified applicants granting the right to own and operate a Pilates ProWorks® Studio at a specific location approved by Company featuring a variety of fitness classes and instructor training programs in different exercise regimens including, without limitation, Pilates method, Yoga, kickboxing, and cardio exercises that follow specific workout routines and many of which utilize proprietary fitness machines designated by Company and in accordance with Company's comprehensive business methods.

B. Franchisee desires to obtain a license to use Company's comprehensive business methods to operate a Pilates ProWorks® Studio at the Approved Location identified in this Agreement, and Company is willing to grant a license to Franchisee on the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

TERMS AND CONDITIONS

I. <u>DEFINITIONS</u>

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:

A. "Accounting Period" means the specific period that Company designates from time to time in the Confidential Manual or otherwise through written or electronic communications for purposes of Franchisee's financial reporting or payment obligations described in this Agreement. For example, an Accounting Period may, in Company's sole discretion, be based on a seven-day week (e.g., Monday through Sunday), a Calendar Month, a Calendar Quarter; a Calendar Year; or another period of time which may be subdivided into blocks of 4 or 5 weeks, or a shorter or longer time period that Company selects in its sole discretion. Company may designate different Accounting Periods for purposes of paying fees and for discharging reporting obligations under this Agreement.

B. "Addendum to Lease" means the written agreement by and between Franchisee and the landlord of the Approved Location that adds specific terms and conditions required by Company to the Lease and grants Company the right, but not the obligation, to accept an assignment of the Lease under stated conditions without the Landlord's consent. At a minimum, the terms and conditions shall (i) require the landlord to provide concurrent written notice to Company if the landlord serves Franchisee with notice of default under the Lease; (ii) give Company the right, but not impose the obligation, to cure the default under the Lease; (iii) establish the conditions under which Franchisee must offer to assign its interest in the Lease to Company without the landlord's consent; (iv) provide that the Lease may not be materially modified with Company's prior written consent; and (v) allow Company to enter the Authorized Location premises to inspect and verify Franchisee's compliance with this Agreement.

C. “Affiliate” means an entity that controls, is controlled by, or is under common control with, a party to this Agreement.

D. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future Applicable Law and requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

E. “Applicable Law” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Studio that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Law includes, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Approved Location; operation of businesses offering fitness instruction to the public; business licensing requirements; hazardous waste; occupational hazards and health; consumer protection; privacy; trade regulation; worker’s compensation; unemployment insurance; withholding and payment of federal and state income taxes and social security taxes; collection and reporting of sales taxes; and the American With Disabilities Act.

F. “Approved Location” means the business premises approved by Company for the operation of the particular Pilates ProWorks® Studio that is the subject of this Agreement. For the avoidance of doubt, the Approved Location for purposes of this Agreement shall cover the same inside and outside areas identified as the premises in the Lease.

G. “Branded Retail Merchandise” means collectively all Pilates ProWorks® branded fitness apparel, exercise equipment, exercise props, CDs and accessory items that Company may introduce for retail sale at Pilates ProWorks® Studios.

H. “Business Entity” means a corporation, limited liability company, partnership, limited liability partnership, trust or other type of legal entity which, under Applicable Law, may enter into contracts in its own name.

I. “Business Operations Training” refers specifically to Company’s training course delivered to Primary Owners and management-level employees whom Franchisee wishes to qualify as a Certified Manager covering topics germane to the franchise relationship and Franchisee’s duties under this Agreement.

J. “Calendar Month” means any one of the 12 Calendar Months of the Calendar Year starting on the first day of the Calendar Month.

K. “Calendar Quarter” means the 3-Calendar Month period ending on March 31, June 30, September 30 or December 31 of each Calendar Year.

L. “Calendar Year” means the 12-Calendar Month period starting on January 1 and ending on December 31.

M. “Certified Manager” identifies a management-level employee who devotes full-time and attention to performing general management and supervisory responsibilities for one or more Pilates ProWorks® Studios and who successfully completes Company’s Business Operations Training and PPW Instructor Training and passes an annual re-certification evaluation to maintain status as a PPW Certified Instructor even if the employee does not intend to teach, and never teaches any, fitness classes.

N. "Change of Control" means a transaction or series of related transactions that result in the sale of all or substantially all of the assets of the Franchised Studio. If Franchisee is a Business Entity, "Change of Control" also means: (i) a transaction or series of related transactions that result in a transfer of 50% or more of the outstanding voting power of Franchisee or Franchisee Affiliate, whether voluntarily or by operation of law or due to a merger or consolidation; (ii) a change in the person identified on the Effective Date as the Primary Owner; or (iii) the right to appoint, or cause to be appointed, a majority of the directors, officers or managers of the Business Entity.

O. "Company's Website" refers specifically to www.pilatesproworks.com, or any other URL address or addresses that Company may identify.

P. "Competitive Business" means any business that derives at least 20% of its total Gross Revenue from the (i) manufacture or sale of exercise equipment at retail or wholesale; or (ii) the delivery of fitness instruction to the general public or to or persons specifically seeking to qualify as a fitness instructor to teach others.

Q. "Confidential Information" includes, without limitation, knowledge and information which Franchisee knows, or should reasonably know, Company regards as confidential concerning (i) decisions regarding specific fitness methodologies and workout routines that Company requires franchisees to include in fitness classes offered to the public; (ii) Company's relationships with designated, recommended and approved suppliers; (iii) specifications for Designated Goods/Services including, without limitation, Branded Retail Merchandise; (iv) trade dress, design and appearance standards for Pilates ProWorks® Studios including signs and other property that display the Licensed Marks; (v) pricing, sales, profit performance or other results of operations of any individual Pilates ProWorks® Studio, including the Franchised Studio, or group of Pilates ProWorks® Studios or the entire chain; (vi) demographic data for determining Approved Locations and Protected Areas; (vii) strategic growth and competitive strategies; (viii) the design and implementation of marketing initiatives and the results of client surveys and marketing and promotional programs; (ix) non-public information pertaining to the Pilates ProWorks® Intellectual Property and any proprietary software applications that Company incorporates into the Pilates ProWorks® Computer System and requires Franchisee to use to operate the Franchised Studio; and (x) in general, business methods, ideas, trade secrets, specifications, client and supplier data, plans, cost data, procedures, information systems and knowledge about the operation of Pilates ProWorks® Studios or the Pilates ProWorks® System, whether the knowledge or information is now known or exists or is acquired or created in the future, patentable, included in the Confidential Manual, or Company expressly designates the information as confidential. Confidential Information does not include (x) information that Franchisee can demonstrate lawfully came to its attention independent of entering into this Agreement and not as a result of Franchisee's wrongful disclosure (whether or not deliberate or inadvertent), or (y) information that Company agrees is, or has become, generally known in the public domain.

R. "Confidential Manual" refers collectively to all confidential operating manuals, business operations guides, fitness instructor training materials, documentation for the Pilates ProWorks® Computer System that Company may license to Franchisee, and other instructions given to Franchisee by Company in confidence during the Term, which may be memorialized in written or electronic format, posted to the Pilates ProWorks® Intranet or communicated to

Franchisee in some other way, as modified periodically by Company to reflect changes in the Pilates ProWorks® System.

S. “Covered Person” means (i) the individual executing this Agreement as Franchisee; and (ii) each officer, director, or other person who performs equivalent duties in the management or organization of a Franchisee or an Affiliate of Franchisee that is a Business Entity; (iii) each Primary Owner of a Franchisee or the Franchisee’s Affiliate; or (iv) a Certified Manager. Covered Person shall mean an individual who falls within the identified categories whether on the Effective Date or later during the Term of this Agreement. For the avoidance of doubt, unless a PPW Certified Instructor falls within the scope of (i) – (iv), the individual is not a Covered Person.

T. “Designated Goods/Services” collectively refers to all equipment, supplies, Branded Retail Merchandise, real estate location services, or other property, goods or services for which Company designates a mandatory supplier including, without limitation, property, goods or services that fall within the following categories: (i) fitness equipment, mats, props, or accessories that are either manufactured or produced for Company or to Company’s specifications or which display the Licensed Marks; (ii) Branded Retail Merchandise that displays the Licensed Marks whether or not the merchandise is produced specifically to Company’s specifications; and (iii) other property, goods or services that are only available from an exclusive supplier that Company designates even if the goods or services are not manufactured or produced for Company or to Company’s specifications or do not display the Licensed Marks.

U. “Effective Date” is the date appearing on page 1 and is the first day of the Term.

V. “Effective Date of Expiration of this Agreement” is the last day of the Term.

W. “Effective Date of Termination of this Agreement” means one of the following depending on the particular circumstances: (i) with respect to an event of default that this Agreement identifies is not curable, the date when a party is deemed to receive written notice of default and termination or the later effective date specified by the non-breaching party in the written notice as the effective date of termination; (ii) with respect to an event of default that this Agreement identifies is curable, the date on or after the end of a cure period that is specified by the non-breaching party as the effective date of termination; (iii) the date of termination of the Sublease, or (iv) the closing date of an Event of Transfer.

X. “Effective Date of Termination or Expiration of this Agreement” means either the Effective Date of Termination of this Agreement or the Effective Date of Expiration of this Agreement as the context requires.

Y. “Event of Transfer” means any actual or attempted transaction or series of related transactions that, directly or indirectly, voluntarily or by operation of law that results or, if completed would result, in (i) the sale, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement or the right to use the Pilates ProWorks® System or any portion or components; (ii) the offer to sell or sale of securities of a Franchisee that is a Business Entity pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum; or (iii) a Change of Control. For purposes of illustration, an Event of Transfer includes, without limitation: (a) an order dissolving the marriage of a Franchisee that is an individual; (b) the issuance of additional equity or voting interests of a Business Entity resulting in a Change of Control; (c) a financial restructuring or recapitalization that is secured by a sufficient number of equity or voting interests of a Business Entity such that, if foreclosed upon, would result in a Change of Control; or (d) the death or Incapacity of Franchisee if an individual or any person owning enough equity or voting interests of a Business Entity to result in a Change of Control.

Z. “Fitness Director Support Services” mean the specific services that Company agrees to render at the Franchised Studio following Franchisee’s request for specific services, which may include by example and without limitation teaching a guest class to Franchised Studio clients, holding a master class for Franchisee’s current instructors, or observing activities at the Franchised Studio and delivering feedback and direction to Franchisee in response to Franchisee’s request for specific on-site support.

AA. “Force Majeure” includes, without limitation, an event caused by or resulting from an act of God, labor issues, failure of suppliers or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, epidemic or quarantine restrictions, material shortages or rationing, act of any government, and any other similar cause that is not within the control of the party whose performance is required.

BB. “Franchise Disclosure Document” means the Franchise Disclosure Document that Franchisee acknowledges that it received before executing this Agreement or paying any consideration to Company or Company’s Affiliates for the award of franchise rights.

CC. “Franchised Studio” means the particular Pilates ProWorks® Studio which Company authorizes Franchisee to operate under this Agreement at the Approved Location.

DD. “Franchised Studio Subpage” refers to the specific web page on Company’s Website which Franchisee may customize with content relevant to the Franchised Studio in accordance with the guidelines in the Confidential Manual and which members of the public including prospective and existing clients of the Franchised Studio may access only by “clicking through” from Company’s Website.

EE. “Grand Opening Marketing” means Local Advertising the primary purpose of which is to publicize the opening of the Franchised Studio and develop consumer awareness of the Licensed Marks.

FF. “Gross Revenue” means the aggregate of all revenue and income from the operation of the Franchised Studio, whether payment is by cash, credit card, authorized gift cards or other generally accepted form of payment. Gross Revenue includes (a) revenue and income received from the sale of private or class fitness instruction, Branded Retail Merchandise, and other goods, merchandise or services of any kind; (b) the proceeds from any business interruption insurance; and (c) the proceeds from the sale of memberships, class packages and authorized gift cards whether or not redeemed by the client. Gross Revenue excludes: (i) sales taxes and other taxes which Applicable Law requires be separately stated on each transaction and collected from clients and paid to appropriate taxing authorities; (ii) the value of services or merchandise bought by clients by redeeming membership benefits and authorized gift cards sold by the Franchised Studio; (iii) the proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; and (iv) tips paid by clients to employees and other independent contractors rendering services at the Franchised Studio. For the sake of clarity, Company has a “no refund” policy. At this time, Company does not require Franchisee to adopt this policy for the Franchised Studio, but, consistent with its policy, requires Franchisee to report as Gross Revenue the full transaction amount paid to Franchisee even if

Franchisee chooses to reverse or cancel a transaction and refund money or extend credit to a client towards future services regardless of the reason.

GG. "Incapacity" is the inability of a Certified Manager to devote full time and attention to the duties of a Certified Manager due to any cause that continues for at least 120 days in the aggregate during any rolling 12 Calendar Month period during the Term, based upon the examination and findings of a physician selected by a hospital located within 20 miles of the Approved Location, as selected by Company. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties on a full time basis for 30 consecutive days.

HH. "Initial Training Program" means the training program that Company provides to a franchisee before the Opening Date of the franchisee's Pilates ProWorks® Studio which on the Effective Date consists of separate modules identified as (i) Business Operations Training; (ii) PPW Instructor Training; and (iii) New Studio Opening, as Company may revise the Initial Training Program at any time.

II. "Internet" means the global system of interconnected computer networks that utilize standard communication protocols, and any successor technology, whether now existing or developed after the Effective Date, accessible by the general public and other types of users linked by a broad array of electronic, wireless and optical networking technologies and that enables the general public, among other things, to obtain information and purchase goods or services from commercial, merchant-controlled websites.

JJ. "Lead Instructor" specifically refers to a PPW Certified Instructor who is employed by Franchisee, meets minimum experience requirements and who successfully completes Company's Lead Instructor training program, maintains annual recertification as a Lead Instructor, and teaches a minimum number of classes per month at the Franchised Studio.

KK. "Lease" means the written agreement by and between Franchisee and the owner of the business premises identified in this Agreement as the Approved Location that grants Franchisee the right to occupy and use the Approved Location for the operation of a Pilates ProWorks® Studio.

LL. "Licensed Marks" collectively mean all of the trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Applicable Law, and all registrations and applications for registration of trademarks, including intent-to-use applications, and all issuances, extensions and renewals of registrations and applications that Company now or hereafter uses to identify, advertise or promote Pilates ProWorks® Studios generally or individual Pilates ProWorks® Studios and expressly authorizes or requires Franchisee to use as a condition of this Agreement.

MM. "Local Advertising" means, without limitation, all communications in all formats which Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Studio, Franchisee's status as an authorized franchisee, or which display the Licensed Marks. Local Advertising includes, without limitation: (i) written, printed and electronic communications; (ii) communications sent by email or equivalent electronic technology; (iii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iv) promotional items or promotional or publicity events designed to increase public awareness of the Franchised Studio, the Licensed Marks or

Pilates ProWorks® Studios generally including, without limitation, fitness classes featuring a master instructor well known in the fitness industry; (v) listings in approved telephone or business directories; (vi) the use of the Licensed Marks on stationery, business cards, order forms, signs, merchandise, brochures, flyers, any type of outdoor advertising, point-of-sale materials, uniforms, or other tangible personal property; and (vii) Franchisee's use of the Licensed Marks on the Internet to promote the Franchised Studio including, without limitation, content that Franchisee on the Franchised Studio Subpage or any third party websites.

NN. "Local Advertising Obligation" is an amount not exceeding 1% of the aggregate Gross Revenue of the Franchised Studio depending on the then-applicable Co-op Advertising Fee, if any, as provided in this Agreement.

OO. "Local Law" means the specific Applicable Law in the state where the Approved Location is located.

PP. "Non-Designated Goods/Services" refer collectively to all goods, services, merchandise, supplies or property which Franchisee may, or must, use, offer, sell or promote in operating the Franchised Studio that are not Designated Goods/Services.

QQ. "Nontraditional Venue" includes, without limitation, a large public or privately-owned destination or complex where the owner provides fitness services as an accommodation to a captive market visiting or frequenting the Nontraditional Venue. Examples of Nontraditional Venues include Regional Shopping Malls, airports, mass transit stations, professional sports stadiums and arenas, hotels and other types of lodging facilities, military bases, entertainment centers, amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, other types of institutional venues, or similar types of captive market locations that Company may designate. Company alone shall determine if a proposed Approved Location qualifies as a Nontraditional Venue.

RR. "Opening Date" is the date on which the Franchised Studio actually opens for business to the public.

SS. "Pilates ProWorks® Computer System" means, collectively, the computer hardware equipment, operating software, Internet-based mobile device applications, and supporting peripheral devices that Company specifies by brand, model, supplier, features, functions or other types of specifications that Franchisee must use to operate the Franchised Studio, record and store operating data of the Franchised Studio, or make available to prospective and existing clients or members of the public to facilitate communication and transactions with the Franchised Studio. The Pilates ProWorks® Computer System includes all software that Company designates that Franchisee must use in running the Franchised Studio whether the software is proprietary and developed by or for Company or non-proprietary and owned and licensed to Franchisee by third parties. Company may revise the specifications as frequently as Company deems necessary in its sole discretion during the Term and may replace non-proprietary hardware or non-proprietary operating software respectively with proprietary hardware or proprietary software applications created or developed specifically for the benefit of Pilates ProWorks® Studios.

TT. "Pilates ProWorks® Intellectual Property" means the following intangible property and similar types of proprietary rights, interests and protections however arising under Applicable Law related to Pilates ProWorks® Studio concept and business operations that currently exist or come into being after the Effective Date including without limitation all of the following and any equivalent rights under Applicable Law: (i) trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by law, and all registrations and applications for registration of such trademarks, including intent-to-use applications, and all issuances, extensions and renewals of such registrations and applications; (ii) internet domain names, whether or not trademarks, registered in any generic top-level domain by any authorized private registrar or governmental authority; (iii) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (iv) Confidential Information; (v) source codes for proprietary software that Company incorporates into the Pilates ProWorks® Computer System; (vi) business methods utilized by Company in operating Pilates ProWorks® Studios; (vii) moral rights under Applicable Law; and (viii) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, re-examinations and renewals of such patents and applications. For the elimination of doubt, the term "Pilates ProWorks® Intellectual Property" includes all of the trade dress, trade secrets and other property rights subsumed within the defined terms Licensed Marks and Confidential Information.

UU. "Pilates ProWorks® Intranet" means the private, secure area on Company's networks using Internet communication protocols to which Company grants access to its franchisees and certain Company employees for purposes of sharing information, including a copy of the Confidential Manual, relevant to the Pilates ProWorks® System.

VV. "Pilates ProWorks® System" means, collectively, Company's comprehensive business methods, standards, policies, requirements and specifications as Company may modify them at any time, which cover the following subject areas: (i) requirements for the trade dress, equipment, fixtures, furnishings and layout of Pilates ProWorks® Studios; (ii) specific fitness curriculum for authorized exercise classes; (iii) training in the proper use of fitness equipment including, without limitation, equipment classified as Designated Goods/Services and related safety issues; (iv) general operating requirements and client service standards; (v) local marketing and advertising programs; (vi) use of the Pilates ProWorks® Computer System; (vii) the retail sale of Branded Retail Merchandise; (viii) designation of other mandatory and optional programs, merchandise and services that Franchised Studios may or must offer; (ix) the sale of memberships, class packages and gift cards; and (x) requirements for the use of the Licensed Marks and other Pilates ProWorks® Intellectual Property.

WW. "Pilates ProWorks® Studio" refers to any Pilates ProWorks® exercise studio other than the Franchised Studio, whether opened or operated by Company, Company's Affiliate, or another franchisee or licensee.

XX. "PPW Certified Instructor" means any person who has completed the PPW Instructor Training course and passed the certification examination administered by Company to teach fitness classes to the public at the Franchised Studio and who thereafter satisfies annual recertification requirements to maintain status as a PPW Certified Instructor.

YY. "PPW Instructor Training" refers to the practical training, coursework and examination that Company delivers to students who enroll in Company's PPW Instructor Training program to qualify as a PPW Certified Instructor.

ZZ. "Primary Owner" refers to any person who owns or at any time during the Term acquires either legally or beneficially 20% or more of the outstanding equity or voting interests of a Franchisee that is a Business Entity.

AAA. "Protected Area" is the area identified on **Schedule A**.

BBB. "Provisional Remedies" mean any form of interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo.

CCC. "Public or Private Offering" is an Event of Transfer that involves the offer of a Controlling Interest of Franchisee's shares to the public pursuant to an offering memorandum, registration statement or comparable documents.

DDD. "Qualified Transfer" means (i) if Franchisee is an individual, the transfer by Franchisee of all of his or her rights under this Agreement to a newly-formed Business Entity if all of the equity or voting interests of the new Business Entity will be owned by the person or persons identified as the Franchisee on the Effective Date; or (ii) If Franchisee is a Business Entity, the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of equity or voting interests not resulting in a Change of Control.

EEE. "Regional Shopping Mall" refers to a retail destination having two or more anchor tenants and dedicated parking space within one or more buildings forming a complex of shops representing unrelated merchandisers with interconnecting walkways enabling visitors to easily walk from unit to unit. Company alone shall determine if a shopping complex qualifies as a Regional Shopping Mall.

FFF. "Term" is the 10 year period starting on the Effective Date and expiring without notice at the close of business at the end of 10 years unless soon terminated pursuant to the procedures stated in this Agreement.

GGG. "Wholesale Sales" means the direct or indirect sale of Designated Goods/Services or Non-Designated Goods/Services in association with the Licensed Marks under circumstances where Franchisee knows, or after inquiry should reasonably suspect, the buyer is making the purchase with the intention of engaging in the further distribution and sale of the items to retail or wholesale customers through any trade method or distribution and to end-user customers for their consumption.

II. GRANT

A. Award of Rights.

1. Company hereby awards to Franchisee, and Franchisee accepts, the non-exclusive right and license to use the Pilates ProWorks® System in connection with the operation of one Pilates ProWorks® Studio at the Approved Location subject to the terms and conditions of this Agreement. Franchisee may not relocate the Franchised Studio except in accordance with this Agreement.

2. In accepting the award of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to maximize the Gross Revenue of the Franchised Studio and promote and enhance the Franchised Studio and the reputation and goodwill associated with the Pilates ProWorks® System.

B. Limitations.

1. Company grants Franchisee no rights other than the rights expressly stated in this Agreement. Franchisee's use of the Pilates ProWorks® System for any purpose or in any manner not permitted by this Agreement shall constitute a breach of this Agreement.

2. Nothing in this Agreement gives Franchisee the right to sublicense the use of the Pilates ProWorks® System, or any portion or component thereof, to others.

3. Nothing in this Agreement gives Franchisee an interest in Company or the right to participate in Company's business activities, investment or corporate opportunities.

4. Nothing in this Agreement gives Franchisee any rights in or to any Pilates ProWorks® Intellectual Property, other than the limited license expressly granted by this Agreement.

5. Nothing in this Agreement awards Franchisee any express or implied preferential right of any kind to acquire an additional franchise to operate another Pilates ProWorks® Studio.

6. Nothing in this Agreement gives Franchisee the right to object to Company's award of franchises to others regardless of how close the location may be located to the Approved Location unless this Agreement designates a Protected Area, in which case Company's award of franchises to others will be subject to the provisions of this Agreement pertaining to Franchisee's Protected Area.

7. This Agreement authorizes Franchisee to engage only in the sale and delivery of authorized goods and services at the Approved Location with the exception that Franchisee may engage in transactions with clients for the sale of fitness classes, gift cards, memberships through online transactions as long as all fitness classes physically take place at the Franchised Studio.

8. Franchisee may not use the Franchised Studio Subpage to engage in e-commerce transactions of any goods or merchandise including, without limitation, Branded Retail Merchandise approved for sale at the Franchised Studio.

9. Nothing in this Agreement gives Franchisee the right to engage in Wholesale Sales of any kind or in any trade channel including, without limitation, from any Internet website (including, without limitation, from the Franchised Studio Subpage) or by mail order, catalog sales or comparable methods.

C. Improvements; Duty to Conform to Modifications.

1. Any improvements, modifications or additions which Company makes to the Pilates ProWorks® System, or which become associated with the Pilates ProWorks®

System, including, without limitation, ideas suggested or initiated by Franchisee, shall inure to the benefit, and become the exclusive property, of Company. Franchisee hereby irrevocably and permanently assigns to Company or its designee all intellectual property rights, including, without limitation, all copyrights, patent or other intellectual property rights, in and to any improvements or works which Franchisee may create, acquire or obtain in operating the Franchised Studio. Franchisee agrees that Company may use, and authorize others to use, improvements which Franchisee suggests, initiates or originates without compensation to Franchisee and without Franchisee's permission. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the Pilates ProWorks® System or any portion or component thereof. Any modification which Franchisee desires to propose or make to the Pilates ProWorks® System shall require Company's prior written consent.

2. Franchisee may provide suggestions, comments or other feedback (collectively, "Feedback") to Company with respect to the Pilates ProWorks® System. Feedback is voluntary. Franchisee agrees that Company may use Feedback for any purpose without liability or compensation to Franchisee or obligation of any kind and hereby grants Company an irrevocable, non-exclusive, perpetual, fully-paid-up, royalty-free, world-wide license to use the Feedback in connection with any business activities conducted by Company or Company's Affiliates, including, without limitation, to make improvements to the Pilates ProWorks® System.

3. Any goodwill resulting from Franchisee's use of the Pilates ProWorks® System shall inure to the exclusive benefit of Company. This Agreement confers no goodwill or other interest in the Pilates ProWorks® System upon Franchisee, except a license to use the Pilates ProWorks® System during the Term subject to the terms and conditions stated in this Agreement. This provision shall not be construed to prevent Franchisee from receiving the proceeds on the sale of the Franchised Studio if the sale is conducted in compliance with the requirements of this Agreement applicable to an Event of Transfer.

4. Franchisee understands and agrees that Company may modify the Pilates ProWorks® System and any of its components from time to time in its sole discretion as often, and in the manner, that Company believes, in its sole discretion, is necessary to best promote Pilates ProWorks® Studios, as a chain, to the public. Company shall give Franchisee written notice of all changes either by supplements to the Confidential Manual, in writing or electrically, or otherwise. Franchisee agrees to implement all modifications to the Pilates ProWorks® System modifications during the Term in accordance with Company's instructions as if the modifications were part of the Pilates ProWorks® System on the Effective Date of this Agreement. Accordingly, Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the Pilates ProWorks® System specified by Company and shall promptly discontinue the use of those parts of the Pilates ProWorks® System which Company directs are to be discontinued. Franchisee shall not change, modify or alter the Pilates ProWorks® System in any way, except as Company directs.

5. Franchisee recognizes that changes modifications that Company may make to the Pilates ProWorks® System may necessitate that Franchisee make capital expenditures during the Term in amounts that Company cannot forecast. Nothing in this Agreement limits the frequency or cost of future changes to the Pilates ProWorks® System that Company may require. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future general improvements or their expected cost and accepts the risk that future general improvements may be imposed that will require

significant capital expenditures in an amount that is unknown on the Effective Date and that cannot be fully amortized over the period of time then remaining in the Term.

D. Deviations from the Pilates ProWorks® System. Company may allow other franchisees and licensees to deviate from the Pilates ProWorks® System in individual cases in the exercise of Company's sole discretion. Company shall have no duty to disclose, and Franchisee shall have no right to object to, the exceptions or variations that Company may allow to itself, Company's Affiliates or other franchisees or licensees, and has no claim against Company for not enforcing the standards of the Pilates ProWorks® System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the Pilates ProWorks® System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

III. PROTECTED TERRITORY AND RESERVED RIGHTS

A. Protected Area.

1. Company agrees not to open or operate, or grant others, including, without limitation, Company's Affiliates or unrelated persons, the right to open or operate, a Pilates ProWorks® Studio identified by the Licensed Marks anywhere in the Protected Area shown or described on **Schedule A**.

2. Nothing in this Agreement gives Franchisee the right to object to Company's award of franchises to others for locations outside the Protected Area regardless of how close it may be located to the boundaries of the Protected Area. Franchisee understands and agrees that the significance of designating a Protected Area is solely to indicate the geographic area within which Company will not open or operate, or grant others the right to open or operate, a Pilates ProWorks® Studio subject to the exclusions and reserved rights set forth in this Section. The designation of a Protected Area does not give Franchisee any superior or exclusive right (i) to sell authorized goods or services to persons who reside or work in the Protected Area, or (ii) to market or advertise its Pilates ProWorks® Studio in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Protected Area. Furthermore, the rights awarded to it Franchisee use the Licensed Marks in the Protected Area are non-exclusive. For example, without limiting the scope of Company's reserved rights, Company may use or authorize others to use the Licensed Marks in Franchisee's Protected Area without prior notice or compensation to, or consent of, Franchisee.

3. The Protected Area excludes the following types of properties existing that now, or in the future, in the Protected Area:

(a) Any Nontraditional Venue in the Protected Area; and

(b) Any fitness or exercise studio in the Protected Area that is part of a chain of at least 3 or more fitness or exercise studios (counting locations both within or outside of the Protected Area) that operate under a common trade name and observe uniform operating methods if, after the Effective Date, Company acquires some or all of the individual chain locations or ownership of the chain's common trade name and the right to license the trade name and operating methods to others. A chain may be a direct competitor of Pilates ProWorks® Studios. Following Company's acquisition, Company may convert any or all of the chain locations in the Protected Area to a Pilates ProWorks® Studio or permit any of Company's

Affiliates, the then-current owner of a chain location, or any other third party to operate the chain locations in the Protected Area as a Pilates ProWorks® Studio under a franchise license from Company. Company is not obligated to offer Franchisee a first right of refusal to open and operate a former chain location in Franchisee's Protected Area as a Pilates ProWorks® Studio.

B. Company's Reserved Rights.

1. In addition to the properties excluded from Franchisee's Protected Area, Company reserves the right to engage in any and all activities in the Protected Area except operating, or granting others, including, without limitation, Company's Affiliates or unrelated persons, the right to operate, a Pilates ProWorks® Studio identified by the Licensed Marks.

2. Additionally, Company reserves the right directly and indirectly to engage in the following activities in the Protected Area:

(a) To open or license others to open fitness studios in the Protected Area under a trade name that is dissimilar from Pilates ProWorks® if at least 60% of the classes utilize exercise methods that do not incorporate traditional Pilates method exercises.

(b) Offer for sale and sell Designated Goods/Services and Non-Designated Goods/Services through any method or channel of distribution now existing or developed after the Effective Date without prior notice or compensation to, or consent of, Franchisee. Company's reserved rights include, without limitation, the right to engage in Wholesale Sales of Designated Goods/Services through online transactions from Company's Website or from third party websites, or from mail order catalogues or through direct mail advertising, or at trade shows, or to sell to retail stores including, without limitation, unrelated sporting goods stores, or to gyms and fitness studios in the Protected Area that do not do business under the Licensed Marks, or directly to consumers in the Protected Area. Company's reserved rights include, without limitation, the right to sell Designated Goods/Services to a full-service fitness studio or similar type of facility that offers Pilates classes if (i) at least 60% of the classes utilize exercise methods that do not incorporate traditional Pilates method exercises; and (ii) the fitness studio or facility operates under a trade name that is dissimilar from Pilates ProWorks®.

IV. APPROVED LOCATION

A. Selection of Approved Location.

1. If Franchisee owns or leases an existing retail location which Company has determined meets its demographic requirements and the landlord is willing to execute Company's form of Addendum to Lease, the parties shall mutually indicate the Approved Location's street address and the boundaries of the Protected Area on **Schedule A** and execute **Schedule A** at the same time they execute this Agreement, in which case the balance of this subsection A. shall not apply to Franchisee.

2. If the parties have not identified the Approved Location on or before the Effective Date, Franchisee shall be responsible for evaluating potential sites and selecting the Approved Location, subject to Company's approval, pursuant to the procedures stated in this Section. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and the boundaries of the Protected Area on **Schedule A**.

3. The fact that Company may, in its sole discretion, offer Franchisee advice, recommendations or site location services of any kind shall not constitute an admission on Company's part that it is responsible for identifying potential sites, and Franchisee understands that site selection is Franchisee's sole responsibility, subject to Company's right to approve the site. Consistent with Franchisee's responsibility for site selection, Franchisee is solely responsible for investigating and complying with Applicable Law concerning development, occupancy and use of the Approved Location and evaluating the suitability of a site as a Pilates ProWorks® Studio.

4. To assist Franchisee with site selection, Company shall provide Franchisee, without charge, with its current written site selection criteria and construction specifications for the layout, design, appearance, trade dress elements, and leasehold improvements of a typical Pilates ProWorks® Studio. Franchisee understands that Company's construction specifications may not reflect the requirements of Applicable Law governing public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions. Franchisee is solely responsible for investigating and complying with all matters pertaining to Applicable Law at Franchisee's sole expense.

(a) To obtain Company's approval of a proposed site, Franchisee shall submit a written site proposal to Company, in the form indicated in the Confidential Manual. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Company which confirms the willingness of the owner or master tenant of the Approved Location to offer Franchisee a Lease and to execute an Addendum to Lease in the form required by Company. Company may condition site approval on its review and approval of the Lease which Franchisee proposes to enter into with the landlord of the proposed site.

(b) Following receipt of Franchisee's written site proposal, Company may, in its sole discretion and at its sole expense, make an on-site visit to the proposed site at Company's expense if Company reasonably believes that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate Franchisee's proposal. Franchisee understands and agrees that the on-site visit is at Company's option and not required by this Agreement.

(c) Company shall have 30 days following receipt of Franchisee's completed site proposal, including a copy of the proposed Lease if requested by Company, in which to complete any site visit that it chooses to make and to indicate its approval or disapproval of the proposed site by giving written notice to Franchisee (the "Site Approval Notice"). Franchisee may request site approval for more than one site; but it shall not extend the time period for obtaining site approval. If Franchisee proposes more than one site, Company need only approve one site, or it may disapprove all proposed sites. Company's failure to give timely notice of approval shall constitute Company's disapproval of all sites proposed by Franchisee. Company's approval of a site signifies only that the site meets Company's current site criteria. Company's approval of a site does not certify that Franchisee's development, use or occupancy of the site as a Pilates ProWorks® Studio will conform to Applicable Law or guaranty or warrant that operation of a Pilates ProWorks® Studio at the site will be successful or profitable. Company is not responsible if the site fails to meet Franchisee's or Company's expectations.

5. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and the boundaries of the Protected Area on **Schedule A**.

6. The parties' failure to execute **Schedule A** shall not invalidate this Agreement, Company's site approval or the designation of the Protected Area.

B. Lease and Addendum to Lease. Promptly following the parties' execution of **Schedule A**, Franchisee shall execute a Lease and Addendum to Lease with the landlord of the Approved Location and deliver to Company a copy of the fully-executed Lease and Addendum to Lease.

C. Termination. Company may terminate this Agreement if Franchisee fails to (i) obtain Company's written site approval, (ii) deliver a copy of the executed Lease and Addendum to Lease to Company; and (iii) execute **Exhibit A** to identify the address of the Approved Location within 120 days after the Effective Date. If Company elects to terminate this Agreement, Company will refund all but $5,000 of the Initial Franchise Fee that Franchisee has paid to Company when Franchisee delivers an executed general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents. Company is not obligated to refund any portion of the Initial Franchise Fee unless Franchisee executes and delivers Company's form of general release.

D. Relocation.

1. If (i) the Lease expires or terminates for reasons other than Franchisee's breach; (ii) the Approved Location or building in which the Franchised Studio is located is destroyed, condemned or otherwise rendered unusable; or (iii) the parties' mutually believe that relocation will increase the business potential of the franchise, Franchisee shall relocate the Franchised Studio, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Company, in accordance with Company's then-current site selection procedures as specified in the Confidential Manual. Company shall indicate its approval of the new site by executing a new Site Approval Notice. The parties shall amend **Schedule A** to reflect the address of the new Approved Location.

2. As a condition of approving Franchisee's request to relocate the Franchised Studio, Company may require Franchisee to conduct Grand Opening Marketing to publicize the new Approved Location's opening to the public. All of the terms and conditions in this Agreement pertaining to Grand Opening Marketing activities conducted at the original Approved Location in conjunction with the original Opening Date shall apply to Grand Opening Marketing activities at the new Approved Location including Franchisee's obligations to spend no less than the minimum amount on Grand Opening Marketing set forth in this Agreement.

3. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Company's then-current specifications for design, appearance, trade dress elements, equipment, layout, and leasehold improvements for new Pilates ProWorks® Studios, and remove any signs, trade dress and leasehold improvements from the original Approved Location that identified the original Approved Location as belonging to the Pilates ProWorks® System. All of the terms and conditions in this Agreement regarding the process for preparing and approving Franchisee's Design Plans for the original Approved Location shall apply equally to the new Approved Location.

4. Franchisee shall use its best efforts to complete relocation without any interruption in the continuous operation of the Franchised Studio unless Company's prior written consent is obtained. As a condition to consenting to a disruption in operations, Company may impose maximum time periods, which shall be reasonable under the circumstances compelling relocation, in which Franchisee must (i) obtain Company's site selection approval for the new Approved Location; and (ii) complete construction and development of the new Approved Location as expediently as reasonably possible in accordance with Company's then-current specifications. Franchisee understands that if Company consents to a disruption in operations and operations temporarily cease, the Term of this Agreement shall not be extended and Franchisee shall remain liable to pay Royalty Fees, Brand Development Creative Fees, and any Co-op Advertising Fee in amounts equal to the average amounts paid by Franchisee during the 4 complete Calendar Quarters immediately preceding the date that operations ceased at the prior Approved Location or the shorter period that Franchisee has been in business at the original Approved Location. Franchisee's failure to accept or abide by the relocation requirements shall constitute a material breach of this Agreement and grounds for termination.

V. TERM AND RENEWAL

A. Term. This Term of this Agreement shall begin on the Effective Date and shall expire without notice 10 years from the Effective Date, unless this Agreement is sooner terminated.

B. Renewal Term. If Company is awarding new Pilates ProWorks® Studio franchises in the United States at the time when Franchisee is permitted to exercise the option provided in this Section, Franchisee will have an option (the "Renewal Option") to renew the franchise for a period of 10 years beginning on the first day after the last day of the Term (the "Renewal Term") To exercise the Renewal Option, Franchisee must furthermore comply the following conditions:

1. Franchisee must give Company written notice of Franchisee's election to renew (the "Renewal Notice") at least 9 Calendar Months, but not more than 12 Calendar Months, before the end of the Term (the 3 month period is referred to as the "Renewal Notice Period"). The Renewal Option shall be cancelled if Franchisee does not timely and effectively exercise the Renewal Option by giving written notice during the Renewal Notice Period and completing the remaining conditions of effective exercise of the Renewal Option.

2. The Renewal Notice must be accompanied by a non-refundable renewal fee ("Renewal Fee") of $5,000.

3. Franchisee must not be in default under this Agreement at the time it gives the Renewal Notice or on the first day of the Renewal Term. Further, Franchisee must not have received more than 3 notices of default during any 24 Calendar Month period during the Term whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Franchisee.

4. Franchisee shall execute Company's then-current form of Franchise Agreement for a term of 10 years. The then-current Franchise Agreement shall supersede this Agreement in all respects except as follows: (i) Franchisee shall not have the renewal rights set forth in any successor Franchise Agreement; (ii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the then-current Franchise Agreement, but shall instead pay the Renewal Fee; (iii) the Renewal Term shall be 10 years even if the term stated in the then-

current Franchise Agreement is a shorter time period; and (iv) Franchisee shall not be required to participate in the Initial Training Programs described in the then-current Franchise Agreement then offered by Company to new franchisees, but shall comply with any training requirements applicable to renewing franchisees. Franchisee understands that the successor Franchise Agreement may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Company.

5. Franchisee shall conform the Franchised Studio to Company's then-current design, appearance, trade dress elements, layout, equipment, leasehold improvements, imaging requirements, signs, and accounting and recordkeeping systems that apply to new Pilates ProWorks® Studios, including, without limitation, making upgrades to the Pilates ProWorks® Computer System to the extent any areas do not meet Company's then-current requirements.

6. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

C. Condition Precedent to Renewal Option. This Agreement does not grant Franchisee a Renewal Option if Company is not awarding new Pilates ProWorks® Studio franchises in the United States on the first day of the Renewal Notice period. However, the Renewal Option will be revived if, before the end of the Renewal Notice Period, Company resumes awarding new Pilates ProWorks® Studio franchises in the United States, in which case Company will promptly give Franchisee written notice of that fact and Franchisee will have an additional 30 after receipt of Company's notice to deliver the Renewal Notice and pay the Renewal Fee. All of the other conditions to effectively exercising the Renewal Option shall thereafter apply to Franchisee.

D. Ineffective Exercise of Renewal Option. Franchisee's failure to execute and deliver the renewal Franchise Agreement and release required by this Section within 30 days after Company delivers them to Franchisee for execution shall be deemed an election by Franchisee not to exercise the Renewal Option. If Franchisee fails to satisfy any renewal condition in a timely manner, this Agreement will expire on the last day of the Term without further notice from Company; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement which expressly, or by their nature, survive the expiration or termination of this Agreement. Company shall not be obligated to refund the Renewal Fee.

E. Extension. If Company is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state where the Franchised Studio is located, or under Applicable Law cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers the Renewal Notice, Company may, in its sole discretion, offer to extend the terms and conditions of this Agreement on a Calendar Month-to-Calendar Month basis following the expiration of the Term for a maximum period of 12 months from the expiration date so that Company may lawfully offer its then-current form of Franchise Agreement. If (i) Company is granting new franchises for new Pilates ProWorks® Studios in the United States at the time when Franchisee is permitted to exercise the Renewal Option, and (ii) Franchisee has otherwise satisfied the conditions for renewal and is in compliance with the provisions of this Agreement, and if, after 12 months, Company still cannot lawfully offer its then-current form of Franchise Agreement, the parties shall be deemed to have extended this Agreement for the remainder of the then-current Renewal Term. Nothing in this Section shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice Franchisee is in material default under this Agreement.

VI. APPROVED LOCATION DEVELOPMENT AND OPENING DATE

A. Franchisee's Construction Drawings.

1. Following the Effective Date, Company shall provide Franchisee with detailed construction specifications for a prototype Pilates ProWorks® Studio. These construction specifications will be based on the prototype size of a typical Pilates ProWorks® Studio and show all design, appearance and, trade dress elements, leasehold improvements, and layout for a reception area, exercise studios, locker room and storage, and include elevation drawings and floor plans indicating the desired placement of all required equipment, furnishings and décor items in a prototype Pilates ProWorks® Studio.

2. At Franchisee's sole expense, Franchisee shall retain competent architectural, design and contracting services to prepare appropriate construction drawings ("Franchisee's Construction Drawings") consistent with Company's construction specifications for the specific dimensions, square footage and conditions of the Approved Location and to the requirements of the Lease and Applicable Law. Before engaging an architect, designer or contractor, Franchisee shall submit to Company the name and supporting credentials of each person that Franchisee desires to retain to demonstrate the individual's or firm's overall reputation and credentials for workmanship, timeliness of performance, financial solvency and experience with retail construction. Company shall have 15 days after receiving all supporting information in which to indicate its decision. Company's failure to respond within 15 days shall signify its approval. Company's approval of a particular firm or individual is not an endorsement or guaranty of the quality of workmanship, timeliness of completion or any other credential and Company shall have no liability whatsoever for the party's services.

3. At a minimum, Franchisee's Construction Drawings shall address, without limitation, layout, lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall and ceiling treatments, doors and hardware, painting, HVAC systems, storage areas, installation of an integrated security system, décor items, furnishing, decorations and other trade dress components, and other improvements that Franchisee intends to make or install, together with such other information as may be specified in the Confidential Manual. Franchisee may only use Franchisee's Construction Drawings for purposes of developing the Approved Location as a Pilates ProWorks® Studio.

4. Franchisee is solely responsible for investigating the requirements of Applicable Law governing public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions and conforming Franchisee's Construction Drawings to such requirements.

5. Franchisee shall submit Franchisee's Construction Drawings to Company for approval before Franchisee may begin permitting, construction or development of the Approved Location. In reviewing Franchisee's Construction Drawings, Company agrees not to withhold its approval unreasonably. Company shall have 15 days to review Franchisee's Construction Drawings and notify Franchisee in writing of its rejection or approval of Franchisee's Construction Drawings or its approval subject to specified modifications. Company's failure to give Franchisee timely notice shall constitute Company's disapproval of Franchisee's Construction Drawings as submitted. Company's approval of Franchisee's

Construction Drawings, with or without additional conditions, does not certify that Franchisee's development, use or occupancy of the site as a Pilates ProWorks® Studio pursuant to Franchisee's Construction Drawings as approved will conform to Applicable Law or guaranty or warrant that operation of a Pilates ProWorks® Studio at the site will be successful or profitable.

B. Development of Approved Location.

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of Franchisee's Construction Drawings that Company approves without any material variation. Franchisee shall not make any material changes to the Franchisee's Construction Drawings without first submitting the changes in writing to Company for its approval.

2. Franchisee shall cause all construction and development work to conform with the requirements of the Lease and Applicable Law, including, without limitation, all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). Franchisee shall complete development of the Approved Location diligently, expeditiously and in a first-class manner at Franchisee's sole expense.

3. Franchisee is solely responsible for purchasing, leasing or licensing all of the equipment, fixtures, furniture, trade dress elements, signs, supplies, materials, and decorations required for development and operation of Pilates ProWorks® Studios from recommended, approved or required sources as directed by Company in the Confidential Manual and this Agreement. Franchisee understands and agrees that Company may designate all, or particular items, of the equipment, fixtures, furniture, trade dress elements, signs, supplies, materials, and decorations as Designated Goods/Services in which case the items must be purchased from the sources that Company identifies.

4. Franchisee understands and agrees that it is solely responsible for supervising, and for the acts and omissions of, the architect, design and construction personnel that it hires or retains. Franchisee shall obtain all customary contractors' lien waivers for the work performed. The fact that Company may recommend an architect, designer or construction personnel to assist Franchisee in preparing Franchisee's Construction Drawings or with the performance of actual construction work shall not (i) excuse Franchisee from the duty to obtain Company's approval of Franchisee's Construction Drawings; (ii) constitute an admission on Company's part to responsibility for preparing Franchisee's Construction Drawings; or (iii) make Company liable for design or construction work, delays or defects of any kind.

5. Company shall have no responsibility for any delays in development or opening of the Franchised Studio or for any loss resulting from the design of the Approved Location or approval of Franchisee's Construction Drawings. Company shall have access to the Approved Location to inspect the work and performance by Franchisee's construction personnel, but is not obligated to inspect the project periodically during development or upon completion. Franchisee understands and agrees that if Company inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Law, but solely to evaluate that development conforms with the version of Franchisee's Construction Drawings that Company has approved and otherwise with Company's specifications for design, appearance, trade dress elements, equipment, layout and leasehold improvements.

C. Opening Date.

1. Franchisee shall use its best efforts to diligently complete the development and construction of the Approved Location, hire and train staff members, and prepare the Franchised Studio for the Opening Date. Company may require that Franchisee provide Company with photographs and video tapes showing the Approved Location's physical readiness to open for business. Franchisee shall not open the Approved Location for business to the public under the Licensed Marks unless and until Company issues a written completion certificate. The certificate shall signify that Company finds that the Approved Location, as built, substantially conforms to the version of Franchisee's Construction Drawings that Company has approved and that Franchisee has met all other pre-opening requirements including, without limitation: (i) completing the Business Operations and PPW Instructor Training modules of the Initial Training Program and having at least one person qualify as a Certified Manager; (ii) supplying Company with proof of all required insurance coverage all in accordance with the requirements of this Agreement; and (iii) implementing all of the other mandatory features of the Pilates ProWorks® System. Company's issuance of a certificate shall not constitute a representation or finding that the Approved Location, as built, complies with Applicable Law and Company shall have no responsibility for independently verifying the Approved Location's or Franchisee's compliance with Applicable Law.

2. Company agrees to use its reasonable best efforts to review Franchisee's Construction Drawings, conduct inspections of the work and performance by Franchisee's personnel, and inspect the Approved Location as built within time frames that will avoid causing an undue delay in Franchisee's ability to open the Franchised Studio.

3. If Franchisee believes Company has failed to adequately provide any services required by this Agreement to be performed by Company before or in connection with the Franchised Studio's opening, whether in regard to site selection, site development, Initial Training or any other matter affecting the establishment of the Franchised Studio, Franchisee shall so notify Company in writing within 60 following the Opening Date. Absent timely notice to Company, Franchisee shall be deemed to acknowledge conclusively that (i) all required services to be performed by Company before or in connection with the Franchised Studio' opening were provided sufficiently and satisfactorily in Franchisee's judgment, and (ii) Franchisee and its officers, directors, shareholders, employees and agents have each waived any claim alleging facts to the contrary.

VII. TRAINING

A. Initial Training Program.

1. After Franchisee executes the Lease for the Approved Location, the parties shall mutually schedule the starting date for Business Operations Training, which will be held at an operating Pilates ProWorks® Studio in the United States that Company designates. Franchisee shall enroll at least two management-level employees or Primary Owners in the Business Operations Training module whether or not each person intends to actively teach classes at the Franchised Studio after the Opening Date. No training fee is payable to send up to 5 people to the Business Operations Training module delivered before the Opening Date.

2. After the completion of Business Operations Training, the parties shall mutually schedule the starting date for PPW Instructor Training. If progress on construction and development of the Approved Location is sufficiently far along to permit the parties under

Applicable Law to occupy the Approved Location for purposes of holding PPW Instructor Training in the Approved Location without causing a delay in the Opening Date, Company will provide PPW Instructor Training in the Approved Location. Otherwise, PPW Instructor Training will be held at an operating Pilates ProWorks® Studio in the United States that Company designates. Franchisee shall enroll each person that Franchisee wants to certify as an instructor to teach classes at the Franchised Studio following the Opening Date and any person that Franchisee wants to qualify as a Certified Manager as of the Opening Date whether or not that person intends to actively teach classes at the Franchised Studio. Before the start of PPW Instructor Training, Franchisee shall pay Company a per person training fee in the amount provided in this Section.

3. The parties shall mutually schedule the starting date for the New Studio Opening module of the Initial Training Program which Company shall provide once during the Term at the Approved Location during the period immediately before and after the Opening Date. No training fee shall be payable for delivery of New Studio Opening training. Company encourages Franchisee to include all of its opening employees and instructors who at that time have completed PPW Instructor Training in New Studio Opening training.

4. If Franchisee is executing this Agreement in connection with exercising the Renewal Option, in consideration of Franchisee's payment of a renewal fee, Company shall not be required to deliver the Initial Training Program described in this Agreement, but Franchisee shall be entitled to participate in any training program that Company then provides for renewing franchisees on the same basis as other franchisees renewing contemporaneously.

B. Certified Manager Designation

1. At all times after the Opening Date, the Franchised Studio must be under the direct supervision of at least one Certified Manager. Franchisee's designated Certified Manager may, but need not, be a Primary Owner. Franchisee shall notify Company in writing of the name of the Certified Manager of the Franchised Studio (or names of each Certified Manager if Franchisee qualifies more than one person as a Certified Manager of the Franchised Studio) and any changes in the identity of the Certified Manager during the Term promptly after they occur.

2. The Confidential Manual sets forth Company's criteria for earning a Certified Manager designation. Company may change the Certified Manager qualification criteria at any time effective upon notice to Franchisee. Company's notice shall specify any additional training or other requirements applicable to new Certified Managers which an existing Certified Manager must complete in order to maintain his or her designation as a Certified Manager. Company shall allow each existing Certified Manager 90 days after the new criteria become effective in which to satisfy the additional training and other requirements without suffering a lapse in their designation as a Certified Manager.

3. The award of a Certified Manager designation does not constitute a warranty, guaranty or endorsement by Company or its Affiliates of the person's skills, performance ability or business acumen. Neither Company nor its Affiliates shall have any responsibility for the operating results of the Franchised Studio or the performance of Franchisee's employees or agents.

C. Lead Instructor Training.

1. On a first-come first-serve basis subject to space availability, Franchisee may enroll one or more of its PPW Certified Instructors who otherwise meet the conditions for Lead Instructor status in Company's Lead Instructor training courses which Company shall offer periodically at a Pilates ProWorks® Studio in the United States according to a schedule that Company determines according to demand and other scheduling factors. Before the start of a Lead Instructor training course, Franchisee shall pay Company the then-current per person training fee in the amount specified in the Confidential Manual. As of the Effective Date, Company offers separate Lead Instructor training courses in Studio A instruction (Pilates) and Studio B subjects (separate instruction in Matbox and Tone & Flow) and may add and delete Lead Instructor training courses without prior notice to or approval of Franchisee according to changes that Company may make during the Term to the various exercise programs that it authorizes Pilates ProWorks® Studios to offer to the public, as permitted by this Agreement.

2. Upon successful completion of a Lead Instructor course, Company will issue a Lead Instructor certification to the PPW Certified Instructor that is specific to the Franchised Studio and subject matter. The Lead Instructor certification qualifies the Lead Instructor, for as long as the Lead Instructor maintains its Lead Instructor training in good standing, to teach separate classes at the Franchised Studio and not elsewhere to the subject or subjects in which it is certified to the following two groups: (i) prospective instructors whom Franchisee wishes to add to its faculty as PPW Certified Instructors; and (ii) members of the general public who wish to teach others the various exercise methods taught at Pilates ProWorks® Studios.

D. Recertification Evaluation and Other Continuing Training.

1. At least once annually, Company will offer Franchisee the opportunity for its Certified Manager, PPW Certified Instructors and any Lead Instructor to complete a recertification evaluation to maintain their then-current certification status in connection with the Franchised Studio. At Company's election, Company may deliver the recertification evaluation as a live class in the Franchised Studio or at an operating Pilates ProWorks® Studio in the United States that Company designates, or by videotape or other remote means using technologies like Skype. Company is only required to hold one recertification evaluation each year per Studio A and Studio B then-current subjects as designed by Company for all persons then certified in the subject whom Franchisee identifies as its Certified Manager, PPW Certified Instructor and Lead Instructor affiliated with the Franchised Studio even though Company may apply different recertification standards to each classification status and to each subject. Company and Franchisee shall determine the date and time for the annual recertification evaluation by mutual arrangement. At least 10 days before the scheduled start of the annual certification evaluation, Franchisee shall pay Company a recertification evaluation fee for each person whom Franchisee enrolls in the annual recertification evaluation on behalf of the Franchised Studio regardless of whether Franchisee subsequently seeks reimbursement from the persons who complete the recertification evaluation.

2. After the Opening Date, Company may periodically offer continuing education training programs in new fitness class routines added to the PPW Studio curriculum, recent changes to the Pilates ProWorks® System, and other subjects of mutual interest at one or more designated locations in the United States and require attendance by Franchisee, a Primary Owner, a Certified Manager, Lead Instructors or PPW Certified Instructors; provided, however, Company shall not require that more than 3 persons designated by Company

complete more than 3 days of continuing training during any 12 Calendar Month period excluding recertification evaluations and training. Recertification evaluations are not considered continuing training for purposes of this Section. Enrollment in continuing training classes will be based on space availability on a first-come basis and is subject to paying continuing training fees.

E. Additional Training in the Franchised Studio. After the Opening Date, Franchisee may request that Company send a member of its staff to provide additional training or make a special visit to the Franchised Studio for a specific purpose, in which case the parties shall endeavor to find a mutually convenient time for the additional training. Franchisee shall pay Company's then-current per diem training fees in full in advance.

F. Additional Provisions.

1. All training provided by Company will be for the duration and cover the subjects identified in the Confidential Manual, which Company may modify at any time without prior notice to Franchisee. Although the Initial Training Program as of the Effective Date consists of separate modules, Company's modifications may involve adding, deleting, shortening or lengthening modules or tracks within modules, changing the location, duration, content or scope of the Initial Training Program, or changing instructors or mandatory training requirements. Company may limit enrollment in any training module based on space availability.

2. Enrollment in Business Operations Training is limited to Primary Owners and any other management-level personnel whom Franchisee wishes to qualify as a Certified Manager whether Business Operations Training is completed before or after the Opening Date.

3. The per person training fee for PPW Instructor Training is as follows: (i) $500 for the first 10 persons in Studio A (Pilates) instruction, and thereafter for each additional person after 10 the greater of (i) 50% of Company's then-current per person training fee as published in the Confidential Manual, or (ii) $900, regardless of whether the student actually begins or completes PPW Instructor Training or PPW Instructor Training is delivered before the Opening Date or later during the Term; and (ii) $250 for the first 10 persons in each Studio B subject that Company designates, and thereafter for each additional person after 10 the greater of (i) 50% of Company's then-current per person training fee as published in the Confidential Manual, or (ii) $375, regardless of whether the student actually begins or completes PPW Instructor Training or PPW Instructor Training is delivered before the Opening Date or later during the Term. All other training fees shall be at the rate published in the Confidential Manual at the time of enrollment. All training fees are nonrefundable regardless of whether the student completes training satisfactorily.

4. Franchisee understands and agrees that (i) it is solely responsible for all personal expenses that it and its employees incur to attend any of the training program offered by Company whether before or after the Opening Date, including, without limitation, costs for air and ground transportation, lodging, meals, personal expenses and salaries, and (ii) Company will not pay compensation for any services performed by trainees during any training program provided by Company even if, for example and without limitation, the training program requires the Franchisee or its employees to work at a Pilates ProWorks® Studio owned by Company or Company's Affiliates.

5. Franchisee shall reimburse Company for Company's reasonable travel costs if Company elects to send one of its staff members to the Franchised Studio to conduct annual recertification training as a live course.

VIII. PILATES PROWORKS® SYSTEM

A. Ownership. Company owns all rights in the Pilates ProWorks® System and its various components, and Franchisee owns no rights in the Pilates ProWorks® System except for the license granted by this Agreement. Franchisee agrees not to contest, or assist any other person to contest, the validity of Company's rights and interest in the Pilates ProWorks® System, or any component thereof, either during the Term or after this Agreement terminates or expires. All goodwill in the Pilates ProWorks® System that results from Franchisee's use of the Pilates ProWorks® System shall inure to the exclusive benefit of Company.

B. Use of the Pilates ProWorks® System.

1. In operating the Franchised Studio, Franchisee shall (i) use only the elements of the Pilates ProWorks® System designated by Company and only in the manner authorized and permitted by Company; (ii) use the Pilates ProWorks® System only in connection with the operation of the Franchised Studio and not in connection with other unrelated activities; (iii) display notices of trademark and service mark registrations in the exact manner that Company specifies; (iv) obtain fictitious or assumed name registrations as required by Applicable Law; and (v) prominently post notices to customers, suppliers and others with whom Franchisee deals informing them that Franchisee is the independent owner of the Franchised Studio operating under a license from Company.

2. Franchisee shall not use any of the Licensed Marks or any part thereof: (i) in its corporate or legal name (if Franchisee is a Business Entity); (ii) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (iii) in any modified form; (iv) in connection with the sale of any unauthorized goods or services; (v) in any manner not expressly authorized in writing by Company; or (v) in any manner that may result in Company's liability for Franchisee's debts or obligations.

3. Franchisee shall not cover up, remove or alter any patent, copyright, trademark or other notices that Company requires Franchisee to use to signify Company's ownership of, or rights in, the Pilates ProWorks® Intellectual Property.

4. Company reserves the right to: (i) modify or discontinue licensing any of the Pilates ProWorks® Intellectual Property or other features of the Pilates ProWorks® System; (ii) add new names, marks, designs, logos or commercial symbols to the Licensed Marks and require that Franchisee use them and remove names, marks, designs, logos or commercial symbols from the Licensed Marks and require that Franchisee discontinue their use within a reasonable time; (iii) modify or discontinue practices, components or requirements incorporated within the scope of the Pilates ProWorks® System as of the Effective Date; and (iv) require that Franchisee introduce or observe new practices as part of the Pilates ProWorks® System in operating the Franchised Studio. Franchisee understands that Company at any time, without notice to Franchisee, may modify the Pilates ProWorks® System, in which case, Franchisee shall comply, at Franchisee's sole expense, with Company's directions regarding changes in the Pilates ProWorks® System within a reasonable time after written notice from Company. Company shall have no liability to Franchisee for any cost, expense, loss or damage that

Franchisee incurs in complying with Company's directions and conforming to required changes to the Pilates ProWorks® System.

5. Franchisee understands and agrees that any unauthorized use of the Pilates ProWorks® System or its components by Franchisee shall constitute both a breach of this Agreement and an infringement of Company's intellectual property rights.

C. Assignment of Copyrights. Franchisee and Company acknowledge that, during the Term, Company may authorize Franchisee to use certain works, property or business methods in operating the Franchised Studio in which Company owns a copyright or patent or owns a license to use a copyrighted work or patented property or methods owned by a third party. These works shall be treated as Pilates ProWorks® Intellectual Property for all purposes whether or not the particular work, property, method or materials is the subject of a valid registration. Copyrighted/Patented Works may include, without limitation, the Confidential Manual, advertising and promotional materials supplied by Company, business methods incorporated in the Pilates ProWorks® System, and other categories of works eligible for protection under federal trademark, patent or copyright laws that are created by, or for, Company and are designated by Company for use in connection with operating a Pilates ProWorks® Studio.

1. Company alone will be, and at all times will remain, the sole owner of the copyrights to all designs, material and content that appears on Company's Website and on the Franchised Studio Subpage.

2. To the extent Franchisee creates, or arranges to have created for Franchisee's benefit, any improvement or work eligible for protection under Applicable Law, Franchisee shall execute, or have the creator execute, all documents necessary to assign all intellectual property and ownership rights in the improvement or work to Company. Franchisee understands and agrees that the consideration for the assignment is the grant of the franchise to Franchisee.

3. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent to Franchisee modifying, or creating any derivative work based upon, any of the Copyrighted/Patented Works. Franchisee must obtain Company's prior written consent before modifying or creating, directly or indirectly, any type of derivative work based on any Copyrighted/Patented Works

D. Confidential Information. Franchisee acknowledges that Company may disclose Confidential Information to Franchisee throughout the Term in various ways which include, without limitation, by loaning Franchisee a copy of Company's Confidential Manual, providing other written instructions and bulletins, arranging for the supply of Designated Goods/Services, and otherwise through the performance of Company's obligations and the exercise of its rights under this Agreement. Franchisee shall acquire no interest in Confidential Information, other than a license to utilize it in the operation of the Franchised Studio subject to the terms of this Agreement.

1. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement.

2. Franchisee agrees to: (i) confine disclosure of Confidential Information to those of its management, employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information including, without limitation, requiring that any employee with access to Confidential Information, who are not otherwise required to sign a Confidentiality and Non-Competition Agreement, execute Company's current form of Confidentiality Agreement with Franchisee. Upon request from Company, Franchisee shall deliver to Company a copy of each executed Confidentiality Agreement for its records. Company may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality Agreement with Company or Franchisee, breaches the duties with respect to Confidential Information. All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

3. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding if Franchisee has used its best efforts to provide Company a reasonable opportunity to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

E. <u>Defense of the Pilates ProWorks® System.</u>

1. Company shall have the sole right to handle disputes with third parties challenging the rights of Company or Company's Affiliates, or their respective owners, in, or Franchisee's use of, the Pilates ProWorks® System or its components.

2. Franchisee shall immediately notify Company in writing if Franchisee receives notice, or is informed, of any: (i) improper use of any of the components of the Pilates ProWorks® System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's sole discretion, may be confusingly similar to any of the Licensed Marks; (iii) use by any third party of any business practice which, in Franchisee's sole discretion, unfairly simulates the Pilates ProWorks® System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of any of the components of the Pilates ProWorks® System. A legal proceeding, use, demand or threat encompassing the subject matters described in (i), (ii), (iii) and (iv) is collectively referred to as a "Third Party Claim."

3. Company shall have sole discretion to take such action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of a Third Party Claim.

4. Franchisee shall not settle or compromise any Third Party Claim and agrees to be bound by Company's decisions over how to handle a Third Party Claim. Franchisee shall cooperate fully with Company and execute such documents and perform such actions as may, in Company's sole discretion, be necessary, appropriate or advisable in the defense of a Third Party Claim and to protect and maintain Company's or Company's Affiliates', or their respective owners', rights in, or Franchisee's use of, the Pilates ProWorks® System or its components.

5. Except as provided in this Section, Company agrees to defend Franchisee against the Third Party Claim provided Franchisee has notified Company immediately after learning of the Third Party Claim and fully cooperates in the defense of the Third Party Claim. Because Company will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Company's agreement to defend Franchisee under the conditions stated in this Section, Franchisee understands and agrees that Company is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the Third Party Claim, with the exception that Company shall (i) reimburse Franchisee for Franchisee's actual direct costs to change any signs, uniforms or other materials that bear the Licensed Marks or change any property incorporating any other feature of the Pilates ProWorks® System that is found to infringe the rights of a third party, and (ii) if a judgment is rendered against Franchisee, indemnify Franchisee for the amount of any damages awarded as part of the judgment. Franchisee shall assign to Company any claims that it may have against the third party asserting the infringement claim. Franchisee, on behalf of itself and its Affiliates hereby waives any claim against Company, Company's Affiliates, and their respective officers, directors, shareholders, employees and agents for lost profits or consequential damages of any kind based on Third Party Claims involving the Pilates ProWorks® System. The rights granted to Franchisee under this Section shall be Franchisee's sole and exclusive remedy in the event of any Third Party Claim involving any element of the Pilates ProWorks® System.

6. Company's indemnity obligation set forth in this Section shall not extend to any Third Party Claim which is based, directly or indirectly, upon Franchisee's misuse of the Pilates ProWorks® System. Furthermore, Company's indemnity obligation set forth in this Section shall not extend to any Third Party Claim which arises out of or relates to: (i) any form of misuse of the Pilates ProWorks® System by any of Franchisee's employees, agents, customers, clients or other invitees; (ii) the unauthorized physical entry into the Authorized Location or into the Pilates ProWorks® Computer System by a third party if Franchisee has not used due care to implement and enforce customary security measures to prevent unauthorized entry by third parties.

IX. CONFIDENTIAL MANUAL

A. Use.

1. Franchisee has the limited right to use Company's Confidential Manual during the Term. The Confidential Manual is, and at all times will remain, Company's sole property. Franchisee will cease accessing and, in accordance with Company's instructions, either promptly destroy or return to Company any physical copies that Franchisee has made of any parts of the Confidential Manual upon expiration or termination of this Agreement or consummation of an Event of Transfer.

2. Franchisee will treat all information contained in the Confidential Manual as confidential, and will use all reasonable efforts to keep the information secret. Without Company's prior written consent, Franchisee will not copy, duplicate, print, record or otherwise reproduce the Confidential Manual, in whole or in part, or otherwise make them available to any Franchisee employee or other person who is not required to have access to its contents in order to carry out his or her employment functions.

3. If the Confidential Manual is furnished in a printed “hard” copy rather than electronically, Franchisee shall take adequate precautions to ensure that when the Confidential Manual is not in use by authorized personnel, Franchisee shall keep the Confidential Manual in a locked receptacle at the Approved Location and shall only grant authorized personnel, as defined in the Confidential Manual, access to the key or lock combination of the receptacle.

4. If the Confidential Manual is furnished electronically, each employee or other person whom Franchisee authorizes to access the electronic version of the Confidential Manual or other information on the Pilates ProWorks® Intranet will be assigned their own log-in or secure credentials, which the person may not disclose to or share with anyone else (including, without limitation, to other authorized users). Franchisee will furthermore take steps to ensure that Franchisee employees who are entitled to have access to the Confidential Manual do not share their individual passwords or other login information with any other person. If any content is printed, Franchisee will take steps to ensure that the copies are kept in a secure place to prevent their inadvertent disclosure to persons not authorized to have the information.

5. The Confidential Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Pilates ProWorks® System and Franchisee’s obligations under this Agreement. The Confidential Manual, as modified by Company from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the Confidential Manual or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Confidential Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

B. Updating. Company reserves the right to modify the Confidential Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, components, standards and operating procedures of the Pilates ProWorks® System. All revisions will be reflected in written or electronic supplements to the Confidential Manual or in other written or electronic communications delivered to Franchisee, and each supplement or communication shall become effective upon receipt or on the later date specified by Company. If updates are provided by “hard” copy (as opposed to electronically or in some comparable format), Franchisee shall insert any updated pages in its copy of the Confidential Manual upon receipt and remove superseded pages and return them to Company within 5 days following receipt. Franchisee shall adapt its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Company at Franchisee’s sole expense within the time period that Company’s designates.

X. MARKETING, ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES

Recognizing the value and importance of engaging in and standardizing advertising, marketing and promotional activities to maximize the reputation of and goodwill in the Licensed Marks, enhance general consumer awareness of Pilates ProWorks® Studios, and promote the Franchised Studio, Franchisee agrees as follows:

A. Brand Development Creative Fund.

1. Beginning on and after the Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Brand Development Creative Fee

which, until further notice from Company, is equal to 1.5% of the Franchised Studio's Gross Revenue (the "Brand Development Creative Fee"). After the first anniversary of the Opening Date, Company may increase the Brand Development Creative Fee upon 30 days written notice in individual increments of .5% up to a maximum fee of 3% of Gross Revenue. Subject to these limitations, Company may impose increases as frequently as it chooses. The Brand Development Creative Fee shall be due and payable on or before the 10th day of each Calendar Month after the Opening Date based upon the aggregate Gross Revenue of the Franchised Studio during the prior Calendar Month. .

2. Company shall deposit the Brand Development Creative Fees paid by all franchisees and by Company and its Affiliates for any Pilates ProWorks® Studios which they own into the Brand Development Creative Fund. Company shall use the Brand Development Creative Fund solely for the purpose of paying expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Licensed Marks and Pilates ProWorks® Studios generally for the benefit of all Pilates ProWorks® Studios and their owners. Company shall maintain the Brand Development Creative Fund in a separate bank account segregated from the Company's other funds.

3. Company shall not be restricted with respect to what, where and how the Brand Development Creative Fund will be applied for the purposes described in this section with the exception that Company shall not use more than 25% of the aggregate Brand Development Creative Fees collected per Calendar Year to reimburse itself for internal expenses that it and its Affiliate incur that are directly associated with maintaining and administering the Brand Development Creative Fund including, without limitation, expenses to collect contributions and general operating expenses (such as for rent and salaries in proportion to time devoted to Brand Development Creative Fund matters) and for attorney's fees and other costs related to claims by, or against, the Brand Development Creative Fund.

4. Franchisee understands and agrees that the Brand Development Creative Fund is not a trust and Company does not owe Franchisee a fiduciary duty based on Company's authority to administer the Brand Development Creative Fund or for any other reason.

5. Company will retain complete sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Brand Development Creative Fund proceeds. Without limiting the scope of Company's general authority and sole discretion, subject to the 25% limitation set forth in this Section, Company may use the Brand Development Creative Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including, without limitation, point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, authorized gift cards and coupons; (ii) administer advertising, marketing and other types of promotional programs to develop consumer awareness of Pilates ProWorks® Studios and the Licensed Marks, including buying media space or time in any type of media channel, conducting outdoor advertising, purchasing direct mail lists, purchasing client lead generation services, engaging in social media programs, or other types of client-directed programs; (iii) maintain Company's Website and the individual subpages assigned to each Pilates ProWorks® Studio including the Franchised Studio Subpage; (iv) maintain the Pilates ProWorks® Intranet, and any comparable internal communications portal to promote communication among franchisees and invited guests regarding consumer marketing activities; (v) employ advertising, public relations and media buying agencies; (vi) support public relations,

market and consumer research; (vii) pay expenses directly associated with maintaining and administering the Brand Development Creative Fund, including, without limitation, the cost to prepare annual accountings, expenses to collect Brand Development Creative Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if Company elects to hold one; and (viii) support the cost of any network-wide membership, gift card and loyalty card programs that Company may introduce in the future.

(a) Company makes no representation that any amount of the Brand Development Creative Fund will be spent in any given geographic region or area, that monies will be spent on advertising or promotion which is national in scope, or that money will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Brand Development Creative Fund.

(b) Company may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee, and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Company or Company's Affiliates on account of Franchisee's purchases. Regardless of any designation given to the payments by a supplier, Company shall contribute all supplier payments to the Brand Development Creative Fund as additional revenue unless a supplier requires Company to apply the rebates for a different purpose. The supplier payments that Company contributes to the Brand Development Creative Fund shall not reduce Franchisee's obligation for Brand Development Creative Fees. For example, if a particular supplier pays Company a .02% rebate on account of Franchisee's purchases from the supplier, the amount of the rebate which Company contributes to the Brand Development Creative Fund shall not reduce Franchisee's obligation for Brand Development Creative Fees.

(c) Company shall make marketing, advertising and promotional formats and sample materials created by the Brand Development Creative Fund available to Franchisee with or without additional reasonable charge, in Company's sole discretion on the same terms which Company offers to other Pilates ProWorks® Studio owners and franchisees. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Brand Development Creative Fund, Franchisee shall observe Company's requirements with respect to protecting Company's rights in the Pilates ProWorks® Intellectual Property.

(d) Within 90 days after the end of each Calendar Year, Company shall prepare an annual accounting of the Brand Development Creative Fund, and will furnish a copy of it to Franchisee upon request. While Company will attempt to expend Brand Development Creative Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures.

(e) Company may, but is not obligated to, loan money to the Brand Development Creative Fund in the event desired expenditures for any period exceed the balance in the Brand Development Creative Fund. Any funds loaned to the Brand Development Creative Fund will be repayable upon demand when funds are available and bear interest at no more than 2 points over the prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

(f) Although Company intends to maintain the Brand Development Creative Fund for the duration of the Term and any Renewal Term, Company reserves the right to terminate the Brand Development Creative Fund at any time. If there is a balance in the Brand Development Creative Fund after payment of final expenses when Company terminates the Brand Development Creative Fund, Company shall refund part of the balance to all Pilates ProWorks® Studio owners and franchisees that paid Brand Development Creative Fees for the Accounting Period before Company announced the Brand Development Creative Fund's termination in proportion to the amount of each operator's contributions with Company's decision regarding the exact method for allocating the balance being final. Thereafter, Company may reinstate the Brand Development Creative Fund effective upon no less than 30 days written notice to Franchisee.

6. For each Pilates ProWorks® Studio that Company or Company's Affiliates own, Company or Company's Affiliates shall contribute to the Brand Development Creative Fund on the terms and in an amount equal to the lowest percentage contribution rate that any Pilates ProWorks® franchisee then is required to pay under a Franchise Agreement in effect at that time.

B. <u>Regional Advertising Co-op.</u>

1. At such time as Company determines, in its sole discretion, that there are a sufficient number of Pilates ProWorks® Studios operating in the same advertising market that includes the Approved Location, Company may establish a Regional Advertising Co-op that includes all Pilates ProWorks® Studios in the advertising market, including the Franchised Studio.

2. Company shall determine the boundaries of the Regional Advertising Co-op in its sole discretion and may modify the boundaries at any time based on changes in media penetration, marketing zones, demographic considerations and other factors that Company determines, in the exercise of its reasonable business judgment, are relevant to the effectiveness of advertising directed to consumers within the advertising market. Among other things, Company shall have authority to require that one Regional Advertising Co-op merge with another Regional Advertising Co-op servicing an adjacent advertising market or subdivide a Regional Advertising Co-op into smaller groupings. In no event will the Franchised Studio be assigned to more than one Regional Advertising Co-op.

3. Company shall give Franchisee no less than 30 days written notice of Franchisee's assignment to a Regional Advertising Co-op. If Franchisee is assigned to a Regional Advertising Co-op, the following conditions shall apply:

(a) All advertising created by a Regional Advertising Co-op is subject to Company's prior written approval according to the procedure for Local Advertisements before Franchisee may use, distribute or publish it.

(b) Franchisee shall pay Co-op Advertising Fees of up to 1.5% of Gross Revenue in any Calendar Month ("Co-op Advertising Fee"), unless 65% of the owners of Pilates ProWorks® Studios in the Regional Advertising Co-op approve an increase or special assessment, in which case Franchisee shall be bound by the decision.

(c) Of the Co-Op Advertising Fees paid by Franchisee, Company will credit .05% of Gross Revenues to Franchisee's Local Advertising Obligation.

(d) Company shall notify Franchisee in writing of the Franchised Studio' assignment to a Regional Advertising Co-op. The notice shall specify the initial amount of Co-op Advertising Fee payable by Franchisee, the period and payment date for Co-op Advertising Fee, and the first date when Co-op Advertising Fee shall become payable, which shall not be earlier than 30 days after notice is given.

(e) If Company or any one of Company's Affiliates own a Pilates ProWorks® Studio in the advertising market to which the Franchised Studio is assigned, it shall contribute to the Regional Advertising Co-op on the same basis as Franchisee.

(f) Company shall provide each Regional Advertising Co-op with standard governing and voting rules. Members of the Regional Advertising Co-op may modify certain governing and voting rules with Company's prior approval, but may not modify those rules that establish voting rights, the duty to pay Co-op Advertising Fee, Franchisee's rights or obligations under this Agreement, or Company's right to approve all advertising in advance. Franchisee understands that (i) the governing rules shall permit Regional Advertising Co-op members to elect their own leadership; (ii) the Regional Advertising Co-op shall be responsible for its own administrative expenses; and (iii) the Regional Advertising Co-op must assign any rights in the materials that it creates to Company without compensation. The Regional Advertising Co-op shall be responsible for preparing and distributing to Company and to Regional Advertising Co-op members quarterly and annual financial statements meeting Company's financial reporting standards.

(g) Upon no less than 60 days written notice, Company shall have authority to dissolve the Regional Advertising Co-op to which the Franchised Studio is assigned, but only simultaneously with Company's dissolution of all other Regional Advertising Co-ops then in existence.

C. Local Advertising.

1. From and after the Opening Date and continuing for the remainder of the Term, Franchisee shall spend during each Calendar Quarter an amount equal the Local Advertising Obligation, without offset, credit or deduction of any nature except as expressly provided in this Agreement. Franchisee understands that the Local Advertising Obligation is a minimum obligation and not intended to limit Franchisee's expenditures on Local Advertising.

(a) Company shall monitor Franchisee's compliance with the minimum Local Advertising Obligation each Calendar Quarter. Upon request, Franchisee shall submit appropriate documentation to substantiate the expenditures that it wishes Company to count to demonstrate its compliance with the minimum Local Advertising Obligation.

(b) In determining if Franchisee is in compliance with the Local Advertising Obligation, Company shall give Franchisee credit for the following expenditures: (i) the cost of advertising, marketing and other forms of promotional activities that Franchisee undertakes to publicize and promote the Franchised Studio and increase public awareness of the Franchised Studio and the Licensed Marks within Franchisee's trade area; (ii) Franchisee's reasonable internal expenses that Franchisee can substantiate were incurred specifically and directly to develop, produce or publish approved Local Advertising not to exceed 25% of Franchisee's documented expenses during any Calendar Quarter paid to third parties directly related to Local Advertising; and (iii) the amount of Co-op Advertising Fees that Franchisee pays to a Regional Advertising Co-op to which Franchisee is assigned.

(c) Additionally, Company will credit Franchisee's Local Advertising Obligation for the first Calendar Quarter after the Opening Date for amounts that Franchisee spends on Grand Opening Marketing.

(d) In no event shall the aggregate credit extended to Franchisee in any Calendar Quarter exceed .5% of Franchisee's Gross Revenue for the Calendar Quarter. Company will not apply excess credits in a Calendar Quarter to reduce Franchisee's minimum Local Advertising Obligation in a later Calendar Quarter.

(e) The parties agree that if, at the end of any given Calendar Year, Franchisee has not spent (or, in accordance with this sub-section, been given credit for spending) at least 1% of Franchisee's aggregate annual Gross Revenue on Local Advertising, then, in addition to, and not in lieu of, Company's right to declare Franchisee to be in breach of this Agreement, Franchisee shall promptly pay the difference, plus an amount equal to 25% of the difference, to Company, which funds shall be deposited into the Brand Development Creative Fund.

2. Franchisee shall comply with the written guidelines for Local Advertising set forth in the Confidential Manual. Franchisee understands that Company's written guidelines for Local Advertising may include (without limitation) the requirement that (i) Local Advertising contain notices of Company's Website domain name or similar information indicating the availability of Pilates ProWorks® Studio franchises from Company in the manner that Company designates; (ii) identify Company as the owner of the Licensed Marks; and (iii) identify Franchisee as the independent owner of the Franchised Studio operating under a license from Company . All Local Advertising must be clear, factual and not misleading and conform to both the highest standards of ethical advertising and marketing and Company's written guidelines and other marketing policies that Company prescribes from time to time.

3. Franchisee shall not use, disseminate, broadcast or publish any Local Advertising in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, on the Franchised Studio Subpage and on third party and public social media websites) without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertising. Content that Franchisee wishes to post or have Company post to the Franchised Studio Subpage must comply with the specific content guidelines in the Confidential Manual. As to all other Local Advertising, in order to apply for Company's approval, Franchisee must submit a true and correct copy, sample or transcript of the proposed Local Advertising, together with a written business plan which explains the proposed media plan, promotional event or other intended use of the proposed Local Advertising. Company shall have 20 days from the date of receipt in which to approve or disapprove of the submitted materials. If written approval is not received by the end of 20 days, Company shall be deemed to have rejected the proposed Local Advertising. If written approval is given on or before the end of 20 days, Franchisee may use the proposed Local Advertising, but only in the exact form submitted to Company.

4. At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Advertising if Company determines, in its sole discretion, that continued circulation or use may, or will, damage the integrity or reputation of the Licensed Marks, is otherwise necessary to protect the goodwill of the Pilates ProWorks® System and Company's and Company's Affiliates' reasonable business interests, or otherwise violates this Agreement.

5. Franchisee shall not set up its own Internet website to promote the Franchised Studio where Franchisee owns the URL or use the Licensed Marks in any domain name. Other than promoting the Franchised Studio on the Franchised Studio Subpage, Franchisee may not promote the Franchised Studio on any third party website or establish a link to any third party website without Company's prior written consent which Franchisee shall apply for in the manner applicable to Local Advertisements.

6. Franchisee must comply with Company's social media policies in the Confidential Manuals when engaging in any social media activities or communications on third party websites.

D. Company's Website; Franchised Studio Subpage. Company alone shall own and control the design and functionality of Company's Website and all subpages including the Franchised Studio Subpage. Company shall identify the Franchised Studio in its list of Approved Locations on Company's Website and technically support the Franchised Studio Subpage for which Franchisee may determine the content consistent with the guidelines in the Confidential Manual. Company shall not impose any fee or charge to initially set-up the Franchised Studio Subpage, but may thereafter may charge Franchisee for all content changes to the Franchised Studio Subpage that Franchisee wishes to make that require input by Company's webmaster with the fees to be based on the then-current hourly rates and actual time spent by Company's webmaster to accomplish Franchisee's requested changes. Franchisee may use the Franchised Studio Subpage (i) to provide current information about the Franchised Studio's operating hours, class descriptions, schedules and other services, prices, instructor profiles, location and travel directions, and special events; (ii) enable prospective and existing clients to sign-up for classes and other authorized services and to purchase Franchised Studio membership, class packages and gift cards redeemable at the Franchised Studio; and (iii) for other purposes authorized in the Franchised Studio Subpage content guidelines. Fees that Franchisee pays Company for content changes to the Franchised Studio Subpage are not credited to the minimum Local Advertising Obligation.

XI. PAYMENTS

In addition to fees and payments identified elsewhere in this Agreement, in consideration of the franchise and license awarded to Franchisee pursuant to this Agreement, Franchisee shall make the following payments to Company:

A. Initial Franchise Fee. Franchisee shall pay to Company in full upon execution of this Agreement an initial franchise fee of $45,000 (the "Initial Franchise Fee") less the amount of any deposit previously paid by Franchisee to Company before the Effective Date. The Initial Franchise Fee shall be fully earned when paid and no portion of it is refundable under any circumstance.

B. Royalty Fee.

1. In consideration of the franchise and license awarded to Franchisee, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Royalty Fee ("Royalty Fee") equal to the greater of (i) 5% of the aggregate Gross Revenue of the Franchised Studio; or (ii) $1,500. No percentage or minimum Royalty Fee shall be due and payable, however, until aggregate Gross Revenue of the Franchised Studio exceeds $50,000, and then percentage Royalty Fees shall be based on Gross Revenue above $50,000. Once

Royalty Fees become due and payable, the minimum Royalty Fee shall be prorated for any partial Calendar Month.

2. For the sake of clarity, the waiver of Royalty Fees is a one-time waiver only on the first $50,000 of Gross Revenue in order to allow Franchisee a limited royalty-free period following the Opening Date to develop clientele of the Franchised Studio. Once aggregate Gross Revenue of the Franchised Studio after the Opening Date exceeds $50,000, the greater of percentage or minimum Royalty Fees shall be due and payable on a monthly basis regardless of the actual Gross Revenue of the Franchised Studio in any Accounting Period.

3. Until further notice, once aggregate Gross Revenue of the Franchised Studio after the Opening Date exceeds $50,000, the Royalty Fee shall be due and payable on or before the 10th day of each Calendar Month based upon the aggregate Gross Revenue of the Franchised Studio during the prior Calendar Month. Payment shall be accomplished following Company's electronic funds transfer procedures described in the Confidential Manual which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with the Royalty Fees due for each period.

4. If, during the 60 days immediately after Franchisee pays Royalty Fees, Franchisee refunds or extends a credit for a portion of Gross Revenue to an arm's length client, Franchisee may apply for a credit against future Royalty Fees equal to the amount overpaid as Royalty Fees due to the bona fide client refund or credit transaction. Franchisee has only 90 days after paying Royalty Fees to request a Royalty Fee credit on bona fide client refund and credit transactions completed during the 60 days immediately after Franchisee pays Royalty Fees. To request the Royalty Fee credit, Franchisee must present Company with appropriate documentation allowing Company to verify the date of the bona fide client refund and credit transaction, the exact amount paid to clients during the 60 day timeframe as a refund or credit, the reason for the refund or credit, and any other information reasonably requested by Company. Company will not honor requests for a Royalty Fee credit that do not comply with Company's policy.

C. Technology Access Fee. Franchisee shall pay Company a monthly Technology Access Fee of $195 in exchange for (i) providing Franchisee with 3 email addresses (designated as "Owner," "Manager," and "Front Desk") linked to the Franchised Studio Subpage and hosted on Company's Website to facilitate communications with customers; (ii) use of a secure cloud-based file sharing service facilitating the transfer of documents and information by Company with Franchisee and other franchisees and authorized persons; and (iii) unlimited access to PPW Interactive, a suite of proprietary learning tools hosted on the Pilates ProWorks® Intranet that Company makes available by providing secure sign-in credentials to Franchisee's designated fitness instructors and employees. Franchisee shall pay an additional $5 per email address if Franchisee requires more than 3 email addresses linked to the Franchised Studio Subpage. Company may (i) modify the scope and nature of services that it provides in exchange for payment of the Technology Access Fee at any time without prior notice to Franchisee; and (ii) increase the Technology Access Fee by up to 5% per year effective on January 1 of each Calendar Year during the Term without proration for any partial period by giving Franchisee at least 30 days' prior written notice of the increase.

D. Other Fees.

1. Franchisee shall pay a one-time set up fee for MindBody Software, which is part of the Pilates ProWorks® Computer System and any other fees disclosed in the Franchise Disclosure Document even if not specified in this Agreement.

2. If Franchisee requests and Company agrees to provide specific Fitness Director Support Services, the parties shall confirm the scope of and dates for the mutually-agreed upon Fitness Director Support Services in writing. Franchisee shall pay Company a fee of $400/day per person when overnight travel is necessary in order to deliver the mutually-agreed upon Fitness Director Support Services or $50/hour per person when overnight travel is not necessary. When overnight travel is necessary, the per diem fee shall include one-half day for travel each way to and from the Franchised Studio. The per diem fee shall be all due and payable when Franchisee books Fitness Director Support Services with Company (i.e., before delivery of Fitness Director Support Services). In addition to payment of the Fitness Director Support Services fee, Franchisee must reimburse Company for Company's reasonable travel expenses to send one or more staff members to the Franchised Studio to deliver the mutually-agreed upon Fitness Director Support Services, including, without limitation, expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges, which shall be due and payable within 30 days of invoice date.

E. Method of Payment; All Fees.

1. All payments required to be made to Company or Company's Affiliates pursuant to this Agreement (including, without limitation, Royalty Fees, Brand Development Creative Fees, Technology Access Fees, Fitness Director Support Services, and payments for purchases of Designated Goods/Services or Non-Designated Goods/Services when Company or Company's Affiliate is the supplier), shall be due and payable on or before the date indicated in this Agreement or the Confidential Manual and shall be accomplished following Company's electronic funds transfer procedures described in the Confidential Manual and paid in the same manner as the Royalty Fee.

2. Payment of Co-op Advertising Fees shall be due and payable to the Regional Advertising Co-op on or before the date and pursuant to the procedures established by the Regional Advertising Co-op.

F. Late Charge. If Franchisee fails to pay any amount due to Company under this Agreement by the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, the product of the total amount past due multiplied by 1.5% per Calendar Month (but not to exceed the maximum legal rate of interest then permitted under Applicable Law) calculated starting on the date payment was due and continuing until the entire sum and late charge is paid in full. Franchisee understands and agrees that the late charge is not an agreement by Company to accept any payment after the date payment is due or a commitment by Company to extend credit to, or otherwise finance, the Franchised Studio. Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement in accordance with the requirements of this Agreement notwithstanding Franchisee's obligation to pay a late charge.

G. Application of Payments. Notwithstanding any designation given to a payment by Franchisee, Company shall have the sole discretion to apply any payments from Franchisee to any past due indebtedness owed to Company or Company's Affiliates in the amounts and in such order as Company shall determine.

H. Gross Receipts or Equivalent Taxes. Franchisee will pay to Company the amount of any state or local sales, use, gross receipts, or similar tax that Company may be required to pay now or in the future as determined by any state or local government on any Royalty Fees, Brand Development Creative Fees or other payments that Franchisee pays to Company under this Agreement regardless of whether the state or local tax is imposed directly on Company, is required to be withheld by Franchisee from amounts due to Company under this Agreement, or is otherwise required to be collected by Franchisee from Company. Franchisee's payment of taxes to Company must be paid on or before the date payment must be withheld by Franchisee or paid by Franchisee under Applicable Law and Franchisee shall pay Company the amount of taxes due and owning in the same manner as payment of the Royalty Fee. Franchisee's obligation under this Section will not be reduced or offset by any type of claim, credit or deduction of any kind. This provision will not apply to Company's liability for income or comparable taxes measured by income that Company receives on account of its relationship with Franchisee.

XII. ACCOUNTING AND RECORDS

A. Maintenance of Business Records. During the Term, Franchisee shall maintain full, complete and accurate business records in accordance with the standards stated in the Confidential Manual or otherwise prescribed by Company in writing. Franchisee shall keep all business records and required business equipment and business software systems together at the place where notices to Franchisee are required to be sent, unless Company grants Franchisee permission to keep its business records elsewhere. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee for a minimum of 5 years during, and following, the expiration, termination, or Franchisee's assignment, of this Agreement.

B. Reports.

1. After the Opening Date, Franchisee shall submit to Company on or before the date specified in the Confidential Manual the financial, operational and statistical reports and information as Company may require to (i) provide Franchisee with consultation and advice in accordance with this Agreement; (ii) monitor Franchisee's performance under this Agreement and Franchisee's purchases, revenue, operating costs, expenses and profitability; (iii) develop chain-wide statistics; (iv) develop new operating procedures; (v) develop new fitness classes and programs and Branded Retail Merchandise; and (vi) implement changes in the Pilates ProWorks® System to respond to competitive and marketplace changes or to improve and enhance the reputation of the Licensed Marks and consumer awareness and identity of Pilates ProWorks® Studios generally.

2. Without limiting the types of reports that Company may require, Franchisee shall prepare and submit the following financial reports in accordance with the accounting, recordkeeping and bookkeeping procedures and in the format prescribed in the Confidential Manual:

(a) Reports summarizing Gross Revenue which reports shall cover the same period and be due, and submitted with, all payments of continuing Royalty Fees and Brand Development Creative Fees; and

(b) Financial reports substantiating and documenting actual Gross Revenue and the results of operation of the Franchised Studio, including a profit and loss statement and balance sheet, for each Accounting Period that Company designates, which, until further notice, shall be based on a Calendar Month. Each financial report shall include not only the financial results for the immediate Accounting Period just ended, but also cumulative information for the Calendar Year-to-date, together with such additional information as Company may request. All financial reports shall follow the format and accounting guidelines prescribed by Company in the Confidential Manual and be submitted to Company within 10 days after the end of each Accounting Period.

3. Company shall have the absolute right to remotely access Franchisee's Pilates ProWorks® Computer System as frequently as Company requires to verify Franchisee's compliance with this Agreement and Franchisee hereby grants Company authority to do so. Franchisee shall provide Company with all passwords, access keys and other security devices as necessary to permit Company's remote access to the information stored on Franchisee's Pilates ProWorks® Computer System and any other computers on which Franchisee stores the Franchised Studio' financial records.

4. Franchisee shall promptly comply with Company's requests for additional information to verify Franchisee's payment of all fees based on actual Gross Revenue and to evaluate the efficiency of Franchisee's operations. This obligation includes, without limitation, supplying Company with (i) an exact copy of all sales and income tax returns relating to the Franchised Studio at the time Franchisee files them with governmental authorities or within 10 days after Company requests a copy; (ii) original class enrollment records and documentation showing sales of memberships, class packages, gift cards, and other Franchised Studio's business transactions; and (iii) expense information including payments to employees, independent contractors and Primary Owners.

5. Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

C. Recording of Transactions. Franchisee shall use the Pilates ProWorks® Computer System prescribed by Company in the Confidential Manual, which Company may modify in its sole discretion from time to time, to track and record all sales and transactions with clients of the Franchised Studio.

D. Audit Rights.

1. Company and its representatives shall have full access to examine, audit and copy Franchisee's business records relating to the Franchised Studio, including Franchisee's federal and state income tax returns and sales tax returns, bank statements (including deposit slips and canceled checks), data stored on Franchisee's Pilates ProWorks® Computer System and any other documents and information that Company reasonably requests in order to verify Gross Revenue and the other business activities of the Franchised Studio. When an examination or audit requires that Company or its representatives have access to the Authorized Location or other place where Franchisee keeps its business records, Franchisee shall cooperate and provide access during normal business hours reasonably promptly following Company's request.

2. If any examination or audit conducted by Company reveals any understatement in the Gross Revenue or other false information reported by Franchisee to Company, then Franchisee shall, within 10 days after notice from Company, pay to Company any additional Royalty Fees, Brand Development Creative Fees and Co-op Advertising Fees that are owed, together with interest and late charges as provided in this Agreement. Additionally, Company may require that, until further notice from Company, all future reports and financial statements submitted by Franchisee pursuant to this Agreement be prepared by an independent certified public accountant acceptable to Company.

3. If Company discovers that Franchisee has underreported Gross Revenue by an amount which is 2% or more of the actual Gross Revenue for the period, Franchisee shall also pay and reimburse Company for all expenses that Company incurs connected with Company's examination and audit, including, but not limited to, Company's accounting and legal fees and travel expenses.

4. If 2 or more audits or examinations of Franchisee's business records conducted within any 24 Calendar Month period disclose that Franchisee has underreported Gross Revenue by an amount which is 2% or more of the actual Gross Revenue for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Company may terminate this Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Revenue.

E. Electronic Payment Systems.

1. All required payments to Company and any of Company's Affiliates must be made through a designated payment system using pre-authorized transfers from Franchisee's designated operating account through the use of electronic fund transfers, or, if Company requests, by special checks or other equivalent payment system that Company designates in the Confidential Manual or otherwise in writing.

2. Franchisee shall give its bank instructions in a form provided or approved by Company and obtain the bank's agreement to follow the instructions to effectuate the electronic payment system meeting Company's requirements. Without Company's prior written consent, the bank may not withdraw, modify or cancel its agreement to abide by the instructions provided by Franchisee. Franchisee must also execute any other documents or agreements relating to establishing or maintaining an electronic payment system as Company or the bank may reasonably request from time to time. Franchisee understands that Company may modify the electronic payment system at any time upon written notice and agrees to promptly conform to the changes at its sole expense, which may require changes to the bank's agreement.

3. Franchisee shall deposit all revenue and income from the Franchised Studio into the designated operating account accessed by the electronic payment system by no later than the close of business on the day after receipt. Franchisee shall maintain sufficient funds in the designated operating account at all times during the Term to ensure full payment of all fees and other payments required by this Agreement that are based upon the Gross Revenue of the Franchised Studio, interest and all other obligations payable to Company and Company's Affiliates when due. In the event a payment cannot be made due to insufficient funds in Franchisee's operating account, Company may, in its sole discretion or election, declare a breach of this Agreement in which case Company may (i) terminate this Agreement in

accordance with the procedures for termination, or (ii) require that Franchisee direct its bank to send Company a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee or give Company electronic access to Franchisee's account activity if the bank makes electronic access available to its account holders.

4. Franchisee understands and agrees that its failure to report Gross Revenue for any period will prevent Company from debiting Franchisee's operating account with the appropriate amount due to Company for Royalty Fees and Brand Development Creative Fees and, if applicable, to a Regional Advertising Co-op for Co-op Advertising Fees. In that event, Franchisee authorizes Company to debit its operating account for 120% of the last payment of the Royalty Fee and Brand Development Creative Fee paid to Company and last payment of Co-op Advertising Fees paid to the Regional Advertising Co-op if Franchisee has been assigned to one, together with the late fees and interest permitted by this Agreement.

(a) Unless Franchisee notifies Company in writing within 3 days after Company debits Franchisee's operating account of an error in the amount of the Royalty Fees, Brand Development Creative Fees or Co-op Advertising Fees that Company debits for any Accounting Period, Franchisee shall be barred at a later date from challenging the amount debited. However, if at any time Company discovers that the amounts which Company has debited from Franchisee's operating account are less than the amounts actually due based on the Franchised Studio' actual Gross Revenue for the relevant Accounting Period, Company may immediately debit Franchisee's operating account for the balance.

(b) Company agrees that if the amounts which Company debits from Franchisee's operating account exceed the amounts actually due to Company for the relevant Accounting Period, Company will credit the excess to the next payment of Royalty Fees, Brand Development Creative Fees and Co-op Advertising Fees due from Franchisee. Nothing in this Section is intended to excuse Franchisee's obligation to report Gross Revenue for any Accounting Period in a timely and accurate fashion.

5. Franchisee shall bear all costs to establish and maintain the required electronic payment system meeting Company's requirements and all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Company or Company's Affiliates. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

XIII. FRANCHISEE'S ADDITIONAL DUTIES

A. General Provisions. Franchisee understands and agrees that:

1. Its strict and punctual performance of all obligations set forth in this Agreement, the Confidential Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee.

2. Company's designation, recommendation or approval of a supplier of either Designated Goods/Services or Non-Designated Goods/Services does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements or of the fitness or merchantability of the items sold by the supplier. Franchisee's sole remedy in the event of any shortages, delays or defects in the items purchased shall be against the supplier and not against Company or Company's Affiliates unless Company or

Company's Affiliate is the supplier, in which case Franchisee's remedies are set forth in this Agreement.

B. Designated Goods/Services.

1. Franchisee shall purchase, lease or license the particular Designated Goods/Services that Company identifies and introduces into the Pilates ProWorks® System from time to time only from the supplier that Company specifies. The designated supplier of any particular Designated Goods/Services may include, or be limited to, Company or Company's Affiliates. Company does not represent that the designated supplier will sell the Designated Goods/Services at a lower price than Franchisee might be able to purchase comparable goods from a different supplier. Company may add to, modify, substitute or discontinue any exclusive supply or other types of purchasing arrangements involving Designated Goods/Services in the exercise of its reasonable business judgment.

2. Company may add new Designated Goods/Services and delete existing items from those that Company identifies as Designated Goods/Services and change the specifications, components, methods of use, designations, and other features of any Designated Goods/Services, or the designated supplier, as frequently as Company deems necessary in its sole discretion. Company may withdraw its designation of a particular item as Designated Goods/Services at any time in Company's sole discretion.

3. Franchisee shall conform to all changes pertaining to Designated Goods/Services at its sole expense promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item of Designated Goods/Services for reasons relating to public health or safety, Franchisee shall cease using or selling the Designated Goods/Services identified in Company's notice immediately or by the date indicated in Company's notice. Franchisee shall not place a new order for Designated Goods/Services with a supplier after receiving written notice that Company's approval of the supplier has been withdrawn or revoked.

4. Nothing in this Agreement shall obligate Company to reveal any trade secrets or other non-public information regarding Designated Goods/Services or information regarding Company's relationship with suppliers of Designated Goods/Services, all of which Franchisee understands and agrees constitute Confidential Information.

C. Non-Designated Goods/Services and Alternative Suppliers.

1. Company shall designate all Non-Designated Goods/Services which Franchisee may, or must, use, offer, sell or promote in operating the Franchised Studio by brand name or other means of identification in the Confidential Manual or otherwise in writing.

2. Franchisee shall purchase, lease or license Non-Designated Goods/Services meeting Company's specifications only from suppliers which Company recommends or approves, which Company may revise in its sole discretion at any time and which in certain cases may include Company and Company's Affiliates. All changes in specifications for Non-Designated Goods/Services, or to the list of approved suppliers, shall be communicated to Franchisee by written supplements to the Confidential Manual or otherwise in writing. Specification changes to Non-Designated Goods/Services may include replacing Non-Designated Goods/Services with Designated Goods/Services that perform or satisfy the same or similar function or purpose or by adding, deleting or changing a particular brand specification.

Franchisee shall not place a new order for any Non-Designated Goods/Services with a supplier after receiving written notice (i) of changes unless Franchisee can demonstrate to Company's reasonable satisfaction, in the exercise of Company's reasonable business judgment, that the supplier will comply with Company's new requirements; or (ii) that Company's approval of the supplier has been withdrawn or revoked.

3. If Franchisee desires to offer for sale or use at the Franchised Studio any item which does not, at that time, meet Company's specifications for Non-Designated Goods/Services, or desires to purchase any Non-Designated Goods/Services from a supplier who is not on Company's approved supplier list, Franchisee shall submit a written request to Company identifying the proposed item or supplier, together with (i) samples of the item for examination and/or testing so that Company may evaluate if the item meets its specifications and quality standards, and/or (ii) information supporting the proposed supplier's financial capability, business reputation, delivery performance and credit rating. Company may charge a testing fee of up to $2,500 per request for approval of an alternative product, service or supplier. Franchisee's payment of the testing fee shall be a condition to obtaining approval to offer for sale, or use, an item or buy from a supplier that is not at the time approved by Company and covers Company's direct costs incurred in processing Franchisee's request.

(a) Company will notify Franchisee in writing within 30 days after receiving all requested information and the required testing fee and completing any inspection or testing if it approves the proposed item and/or supplier. Company's failure to timely respond shall constitute its disapproval. Each supplier designated or approved by Company must comply with Company's usual and customary requirements regarding insurance, indemnification and non-disclosure.

(b) Franchisee understands and agrees that it is generally advantageous to the Pilates ProWorks® System to limit the number of suppliers of certain Non-Designated Goods/Services in any given market area and that, among the factors Company may consider in deciding whether, in its sole discretion, to approve a proposed supplier the effect its approval may have on the ability of Company and its franchisees to obtain the lowest prices and on the quality and uniformity of Non-Designated Goods/Services used or sold from Pilates ProWorks® Studios.

(c) At any time, Company may re-inspect the facilities of an approved supplier and revoke its approval of a supplier or item if, in Company's sole discretion, Company determines that doing so is in the best interests of Company or the Pilates ProWorks® System. Franchisee shall conform to all changes pertaining to Non-Designated Goods/Services at its sole expense promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item of Non-Designated Goods/Services or a supplier for reasons relating to public health or safety, Franchisee shall cease using or selling the Non-Designated Goods/Services identified in Company's notice immediately or by the date indicated in Company's notice.

(d) While Company will use its reasonable best efforts to identify more than one recommended supplier per category of Non-Designated Goods/Services and to secure favorable pricing terms from third party suppliers whom Company recommends, Company makes no representation or warranty that the prices of Non-Designated Goods/Services offered for sale by recommended suppliers will be the lowest prices available from any supplier capable of furnishing the same Non-Designated Goods/Services meeting Company's specifications.

D. Purchases from Company or Company's Affiliate.

1. If Company or Company's Affiliate is designated as the supplier of Designated Goods/Services or as a recommended supplier of Non-Designated Goods/Services, Franchisee understands and agrees that Company or Company's Affiliate, as supplier, shall have sole discretion to establish and change prices and other terms of sale, shipment and delivery, which shall be stated on their invoice or purchase order forms, in the Confidential Manual or communicated to Franchisee by other means; provided, however, the prices that Franchisee shall pay shall be the same as the prices charged for the same items to similarly situated franchisees based on considerations of size of purchase order, delivery distance, shipping costs, past payment history, current credit history and other similar factors. Company and any Affiliate of Company may receive a profit from the sale of Designated Goods/Services or Non-Designated Goods/Services to Franchisee.

2. If Company is a recommended supplier of Non-Designated Goods/Services, Company does not represent or warrant that its prices will be the lowest price available from any other supplier capable of furnishing the same Non-Designated Goods/Services meeting Company's specifications.

3. Company or Company's Affiliate, as supplier, may discontinue the sale of any Designated Goods/Services or Non-Designated Goods/Services for any reason upon reasonable notice to Franchisee, however, in the case of any Designated Goods/Services, Company shall not discontinue sales until after providing written notice identifying an approved substitute supplier of the item.

4. As a supplier, Company or Company's Affiliate shall use reasonable commercial efforts to fill and ship Franchisee's orders reasonably promptly, but shall not be (i) liable to Franchisee for shortages, delays or defects due to causes beyond their control; or (ii) obligated to fill or ship any orders to Franchisee if Franchisee at the time is in material breach of any obligation under this Agreement.

E. Standards of Service.

1. In operating the Franchised Studio, Franchisee must offer all of the fitness classes, Branded Retail Merchandise and other goods and services that Company designates as a mandatory component of then-current Pilates ProWorks® fitness curriculum and Pilates ProWorks® System. Company may designate certain fitness classes, Branded Retail Merchandise and other goods and services as optional and allow Franchisee to decide whether to incorporate optional programs in the operation of the Franchised Studio if there is sufficient space in the Franchised Studio and Franchisee complies with Applicable Law.

2. Company may modify the mandatory and optional features of the Pilates ProWorks® System at any time. Among other changes, Company may modify the specific exercise routines, change fitness methods, add new types of fitness classes, or expand the types of fitness regimens which all Pilates ProWorks® Studios must offer. Company may modify the names used to identify particular fitness classes or fitness equipment. Company may also modify Branded Retail Merchandise styles and selection by adding new lines and discontinuing particular goods. Company may modify appearance and trade dress elements, sign requirements, fitness equipment and fitness props. Company will communicate all changes by written or electronic bulletins or revisions to the Confidential Manual. There is no limit on the frequency that Company may impose these modifications or on the cost to make

mandatory changes to the Pilates ProWorks® System. Company will give Franchisee a reasonable time period after written notice of mandatory changes in which to implement these changes and discontinue any practices that Company deletes from the Pilates ProWorks® System. Franchisee may not place new orders with any vendors whom we remove from our approved list.

3. Franchisee may only provide authorized services and engage in retail sales of Branded Retail Merchandise at or from the Approved Location and not elsewhere or, in the case of Branded Retail Merchandise sales, not from any other location or from any website including from the Franchised Studio Subpage, except that Franchisee may use the Franchised Studio Subpage to sell memberships and class packages for the Franchised Studio and gift cards redeemable at the Franchised Studio in accordance with the Franchised Studio Subpage content guidelines in the Confidential Manual.

4. Franchisee shall (i) adhere to Company's mandatory business operating procedures including, without limitation, instructions for use and maintenance of fitness equipment, requirements for public safety, guidelines for Local Advertising, and specifications for reproducing the Licensed Marks; (ii) update the physical appearance of the Approved Location to incorporate changes that Company may periodically make to the then-current specifications for the design, appearance and trade dress of Pilates ProWorks® Studios; (iii) utilize the Pilates ProWorks® Computer System and other accounting and recordkeeping systems specific specified in the Confidential Manual or otherwise by Company in writing; (iv) comply with Company's guidelines for establishing terms and conditions for selling memberships and gift cards redeemable only at the Franchised Studio; and (v) operate the Franchised Studio in accordance with Company's client service standards. All mandatory and recommended requirements, specifications and guidelines shall be set forth in the Confidential Manual or otherwise communicated to Franchisee and may be revised by Company as frequently as Company deems necessary in its sole discretion to promote the Pilates ProWorks® System and respond to competitive and marketplace changes. Franchisee shall not offer for sale or sell any other kinds of products, merchandise or services, or otherwise deviate from Company's current operating standards or specifications for services, products or merchandise, except with Company's prior written consent.

5. Company may restrict the sale of certain fitness programs or Branded Retail Merchandise to select Pilates ProWorks® Studios or within designated geographic regions, but not in all Pilates ProWorks® Studios in Company's sole discretion. Company may, from time to time, authorize Franchisee to test specific new products, services or delivery systems and Franchisee agrees to cooperate in test marketing programs in compliance with Company's guidelines without reimbursement or compensation of any kind.

6. Franchisee shall operate the Franchised Studio on all of the days and during the hours prescribed in the Confidential Manual, unless Company's prior written approval of different days or hours is obtained or unless prohibited by the Lease. Before the Opening Date, Franchisee shall advise Company of the Franchised Studio' operating hours and, after the Opening Date, Franchisee shall promptly notify Company of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the Confidential Manual, and shall be open and fully prepared to conduct business during all posted operating hours.

7. Franchisee shall, at its sole expense maintain (i) an active e-mail account and e-mail address with an established Internet service provider, keep Company informed of its

current e-mail address and manage its e-mail account so that it does not become full or otherwise incapable of accepting new messages and downloads if Company elects to furnish all, or portions of, the Confidential Manual or other information or documents electronically by means other than by postings on the Pilates ProWorks® Intranet; and (ii) an electronic data exchange service designated by Company to enable Company to remotely retrieve sales, inventory and other operating data for the Franchised Studio as frequently as Company deems necessary.

8. Franchisee shall not install or maintain on the Approved Location any newspaper racks, pay-to-play video or other types of gaming devices, ATM machines, juke boxes, vending machines rides or other similar devices except with Company's prior written consent. Franchisee shall not display any "for-sale" signs or other words indicating or implying that the Franchised Studio is for sale or that Franchisee is seeking or desires any form or type of Event of Transfer.

9. As part of the Pilates ProWorks® System, Company may implement pricing policies for any of the authorized goods and services available at Pilates ProWorks® Studios, which Company may modify at any time, including setting minimum or maximum prices to the fullest extent permitted by Applicable Law for, among other things, memberships, individual classes, class packages and Branded Retail Merchandise. Franchisee recognizes that the duty to operate the Franchised Studio in accordance with the Pilates ProWorks® System requires compliance with Company's pricing policies.

F. Operating Expenses. Franchisee shall pay all of the operating expenses of the Franchised Studio in a timely manner and understands and agrees that its failure to do so could materially harm the reputation of the Licensed Marks and the ability of Company and other franchisees to obtain the same favorable purchase, lease or finance terms. If Franchisee has a bona fide dispute with any supplier or vendor which Franchisee believes justifies non-payment or partial payment, Franchisee must promptly notify the supplier or vendor of the particulars of its claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt which remains unpaid for more than 60 days after the date it is due shall constitute a breach of this Agreement unless, before the end of the 60-day period (i) Franchisee and the supplier or vendor agree to alternative payment terms; or (ii) Franchisee initiates appropriate legal action to contest the trade debt. Company shall have no liability for Franchisee's debts or obligations to third parties.

G. Pilates ProWorks® Computer System.

1. Franchisee shall purchase or lease, and install all of the hardware components and license the operating software that Company identifies as part of the Pilates ProWorks® Computer System before the Opening Date and cause the Pilates ProWorks® Computer System to be fully operational before the Opening Date from any supplier that Company designates or, if there is no designated supplier, from any recommended or approved supplier. Franchisee shall additionally maintain a service contract in force for the Pilates ProWorks® Computer System with a designated or approved service provider that covers hardware maintenance, technical support, and software updates and upgrades. A separate service contract shall not be required for third party software if the software subscription agreement includes technical support, updates and upgrades. Nothing in this Agreement requires Franchisee to use any labor scheduling tools that may be included in operating software that Company identifies as part of the Pilates ProWorks® Computer System.

2. Company may impose changes in the mandatory specification for the Pilates ProWorks® Computer System as frequently as Company deems to be in the best interest of the Pilates ProWorks® System, including, without limitation, (i) replacing all of the hardware and software systems with new technology, which may be proprietary to Company or Company's Affiliate; and (ii) designating a specific vendor for the Pilates ProWorks® Computer System. Within a reasonable time following Company's written notice, Franchisee shall conform to the changes that Company specifies at Franchisee's sole expense.

3. Franchisee agrees to pay reasonable licensing fees to Company at the same rate that Company charges other Pilates ProWorks® licensees for the use of any proprietary software applications that Company develops in the future and incorporates as part of the Pilates ProWorks® Computer System. Additionally, Franchisee understands that certain third party software service providers that support software applications incorporated in the Pilates ProWorks® Computer System may refuse to bill Pilates ProWorks® franchisees individually and may insist on consolidating all usage fees by Pilates ProWorks® Studios and invoicing Company. In that case, Franchisee agrees to remit payment to Company for its allocable share of the third party service provider's fees which Company shall equitably apportion among all Pilates ProWorks® Studios users.

H. Approved Location and Tangible Property.

1. Franchisee shall, at its sole expense, maintain the condition and appearance of the Approved Location and all equipment, fixtures, leasehold improvements, and other tangible property used to operate the Franchised Studio in the highest degree of cleanliness, orderliness and repair, consistent with the standards, specifications and requirements of the Pilates ProWorks® System and as Company may from time to time direct. Franchisee shall promptly replace any fixtures, leasehold improvements, equipment or other tangible property used to operate the Franchised Studio which becomes worn, damaged and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the Confidential Manual at the time replacement is required.

2. Franchisee understands and agrees that its failure to repair or maintain the Approved Location and the fixtures, leasehold improvements, equipment and other tangible property of the Franchised Studio in accordance with Company's standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Company may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance or corrective work within 30 days after receiving Company's written notice, Company shall have the right, in addition to all other remedies, to enter the Approved Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. Company shall have no liability to Franchisee for any work performed. If Company elects to perform required repair, maintenance or corrective work, or replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a 25% service charge and an amount sufficient to reimburse Company for Company's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including, without limitation, labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of invoice.

3. Franchisee shall not alter or modify the Approved Location or any of the fixtures, leasehold improvements, equipment or other tangible property used to operate the Franchised Studio in a manner contrary to Company's then-current standards.

4. In addition to maintaining the Approved Location, fixtures, leasehold improvements, equipment and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, reasonably promptly following notice from Company and in accordance with Company's directions, periodically make reasonable capital expenditures to remodel, modernize and redecorate the Approved Location so that the Franchised Studio at all times reflects the then-current image of the Pilates ProWorks® System.

5. If Company or its Affiliate is the exclusive supplier of any goods or services that are within the scope of Designated Goods/Services, the price and terms shall be set forth in the Confidential Manual. At this time, payment is due in full when Franchisee places its order. Company may change its payment terms at any time on no less than 30 days written notice.

I. Compliance With Laws. Franchisee shall at all times operate the Franchised Studio in strict compliance with Applicable Law. At Franchisee's sole expense, Franchisee shall secure and maintain in good standing all necessary licenses, permits, deposits and certificates required to operate the Franchised Studio lawfully and shall provide Company with proof of compliance promptly following Company's request.

J. Credit Cards; Gift Card and Other System-Wide Marketing Programs. Franchisee shall honor all credit cards designated by Company and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards. Franchisee agrees to participate in any future membership program that Company may introduce allowing reciprocity access at any Pilates ProWorks® Studio and in any system-wide electronic gift card program covering all Pilates ProWorks® Studios. Company will give Franchisee at least 30 days written notice before the network-wide membership or gift card programs become effective and explain the reciprocity rules in the Confidential Manual including, without limitation, addressing when membership sales and gift card transactions will be recognized in the calculation of Gross Revenue and other exchange conditions. Franchisee shall additionally participate in system-wide marketing programs identified by Company, including, without limitation, loyalty card programs, social networking programs, client and marketing surveys, direct marketing programs and designated e-commerce programs.

K. Complaints and Other Actions. Franchisee shall promptly report to Company any incidents involving personal injury or property damage sustained by clients of the Franchised Studio and members of the general public at the Approved Location. Franchisee shall submit to Company promptly upon receipt copies of all client complaints and notices and communications received from any government agency relating to alleged violations of Applicable Law and hereby authorizes the government agency to provide the same information directly to Company upon Company's request. Additionally, Franchisee shall promptly notify Company of any written threat, or the actual commencement, of any action, suit or proceeding against Franchisee, any person who is required by this Agreement to personally guaranty Franchisee's obligations to Company or involving the Approved Location or the business assets which might adversely affect the operation or financial condition of the Franchised Studio, and provide Company with a copy of all relevant documents.

L. Grand Opening Marketing.

1. In addition to any fees payable to the Brand Development Creative Fund and any Regional Advertising Co-op pursuant to this Agreement, during the 90 day period beginning 90 days before and ending 30 days after the Opening Date, Franchisee shall spend a minimum of $10,000 on approved Grand Opening Marketing activities to publicize the opening of the Franchised Studio.

2. All Grand Opening Marketing activities shall be considered Local Advertising for purposes of this Agreement and subject to the same conditions applicable to Local Advertising including the requirement that Franchisee obtain Company's prior written approval regarding the media, materials, content, formats and activities proposed by Franchisee for all activities that comprise Grand Opening Marketing.

3. Within 30 days following Company's request, Franchisee shall furnish Company with documentation using Company's forms substantiating that it has spent at least the minimum required by this Agreement on approved Grand Opening Marketing activities. Company alone shall determine if a particular expense should be counted towards Franchisee's minimum obligation for approved Grand Opening Marketing activities.

4. All amounts that Franchisee can document that it spent on approved Grand Opening Marketing activities shall be applied to Franchisee's Local Advertising Obligation for the first Calendar Quarter after the Opening Date.

5. If the Lease requires Franchisee to pay any fee or other amount specifically earmarked for Grand Opening Marketing purposes, Company shall credit Franchisee's minimum Grand Opening Marketing obligation with the amount that Franchisee can document that it has paid to the landlord of the Approved Location pursuant to the Lease.

M. Staffing.

1. The Franchised Studio shall at all times be under the direct, personal supervision of at least one Certified Manager at all times during the Term. Additionally, Franchisee shall employ or retain a sufficient number of competent employees or independent contractors and cause each of them to receive appropriate training to perform their job or work duties in accordance with the standards and specifications of the Pilates ProWorks® System as Company may require. Franchisee is responsible for training all of its employees and independent contractors who do not participate in the New Studio Opening module of the Initial Training Program unless Franchisee arranges with Company to enroll the employee or independent contractor in Company's training program.

2. All employees and independent contractors whose duties include client and customer service shall have sufficient literacy and fluency in the English language, in Company's judgment, to serve the public. All employees and independent contractors, while working in the Franchised Studio, shall present a neat and clean appearance. All employees and independent contractors must wear the branded t-shirt that Company designates from Company's then-current collection of Branded Retail Merchandise and Franchisee must purchase sufficient quantities of these t-shirts to supply to its staff to wear while at work.

3. Franchisee is solely responsible for the acts and omissions of its employees, independent contractors and other agents, including, without limitation, its Certified

Manager, arising during the course of their employment or, as to independent contractors and agents, their engagement by Franchisee.

4. Franchisee is solely responsible for hiring, firing and establishing employment and engagement policies applicable to its employees and independent contractors, and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's sole discretion to make decisions pertaining to its employees, independent contractors and other agents. Franchisee is solely responsible for determining the appropriate classification of its instructors and others whom it hires or retains to work at the Franchised Studio in accordance with Applicable Law. Franchisee recognizes that the requirements, restrictions, prohibitions, specifications and procedures of the Pilates ProWorks® System which it must comply with as a condition of the franchise license do not directly or indirectly constitute, suggest, infer or imply that Company controls any aspect or element of the day-to-day operations of the Franchised Business, but are reasonable and necessary in order to protect the Pilates ProWorks® Intellectual Property and promote consumer awareness of the Licensed Marks.

XIV. COMPANY'S OPERATIONS ASSISTANCE

In addition to obligations stated elsewhere in this Agreement, and provided Franchisee is not in default under the terms of this Agreement, Company shall provide the following services:

A. Grand Opening Marketing. Company shall assist Franchisee design and implement a Grand Opening Marketing program to publicize the opening of the Franchised Studio to the public and advise Franchisee on strategies for developing local consumer awareness of the Licensed Marks.

B. Continuing Consultation and Advice.

1. As and to the extent required in Company's sole discretion, Company shall provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Company's attention. Company shall have sole discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other Pilates ProWorks® franchisees. For example and without limitation, consultation and advice may be provided by telephone, in writing (in which case Company may furnish the written information electronically), on-site in person, by disseminating information through the Pilates ProWorks® Intranet, or by other means.

2. If Franchisee requests additional on-site instruction and assistance after the Opening Date and the completion of the New Studio Opening module of the Initial Training Program and if Company, in its sole discretion, agrees to furnish the additional on-site instruction and assistance, the parties shall mutually schedule the time for the additional instruction and training. In connection with post-Opening Date on-site training delivered at Franchisee's request, Franchisee shall pay Company its then-current per diem training fee set forth in the Confidential Manual. The per diem fee shall be all due and payable when Franchisee books additional on-site instruction or assistance with Company (i.e., before delivery of Fitness Director Support Services). When overnight travel is necessary, the per diem fee shall include one-half day for travel each way to and from the Franchised Studio. Additionally, Franchisee shall reimburse Company for Company's reasonable travel expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and

miscellaneous travel-related personal charges, which shall be due and payable within 30 days of invoice date.

C. Support for Fitness Instruction.

1. Company shall provide Franchisee with access to any fitness instructor continuing education tools that Company posts on the Pilates ProWorks® Intranet or otherwise shares with the general Pilates ProWorks® franchisee community designed to supply ideas to enhance the effectiveness of Pilates ProWorks® fitness instructors and make instructors more skillful teachers of Company's proprietary curriculum.

2. At Franchisee's option, Franchisee may elect to serve as a host location for the Pilates ProWorks® School ("PPW School"), currently structured as an intensive 7 day training program that Company's instructors teach to Franchisee's clients and other members of the general public who wish to obtain a Pilates ProWorks® certification and deepen their understanding of the Pilates method of exercise. To serve as a host location, (i) Franchisee and Company must agree upon mutually convenient dates for the PPW School at Franchisee's PPW Studio; and (ii) Franchisee must pay the then-current enrollment fees in the amounts and according to the payment schedule published in the Confidential Manual. Company may change the PPW School curriculum and increase the fees to participate effective upon no less than 30 days' notice and all new terms will apply to any new PPW School for which dates have not yet been scheduled by the parties. Within 10 days after the conclusion of each PPW School, Franchisee must reimburse Company for Company's reasonable travel costs (transportation, hotel, food) to send two instructors to Franchisee's PPW Studio, which will vary depending on the distance from the instructor's home base to Franchisee's PPW Studio. Franchisee may set the enrollment fees for students who enroll in the PPW School at its PPW Studio. Company may discontinue the PPW School entirely upon no less than 90 days written notice to Franchisee.

3. Franchisee may request that Company provide specific Fitness Director Support Services at the Franchised Studio at a mutually-convenient time. While Company is not obligated to provide any Fitness Director Support Services, if Company agrees to provide specific Fitness Director Support Services, the parties shall confirm the scope of and dates for the mutually-agreed upon Fitness Director Support Services in writing. Franchisee shall pay Company the fees provided for in this Agreement for the delivery of Fitness Director Support Services.

D. Inspections.

1. In addition to Company's audit rights described in this Agreement, Franchisee expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Approved Location and conduct regular inspections of the Franchised Studio and Franchisee's methods of operation, including, without limitation, using digital and other monitoring services to observe and conduct discussions with Franchisee's employees, observe client interactions and the delivery of services, and review Franchisee's books and records (including, without limitation, data stored on the Pilates ProWorks® Computer System) in order to verify compliance with this Agreement and the Confidential Manual.

2. Company may implement a mystery shopper program using the services of an outside mystery shopper company to perform regular mystery shopper visits at the

Franchised Studio in order to provide Company and Franchisee with critical feedback and insight into the effectiveness of Franchisee's operations from a client's perspective. If Company engages a third party supplier to perform mystery shopper services, Franchisee agrees to pay the reasonable fees imposed by the third party mystery shopper supplier which will partially depend on the number and frequency of mystery shopper visits that the supplier makes to the Franchised Studio. At Company's election, Company may collect the mystery shopper service's fees or require Franchisee to remit payment directly to the mystery shopper company according to the mystery shopper company's payment terms.

3. Franchisee shall cooperate fully with Company's inspections and any mystery shopper or comparable programs that Company implements during the Term. At Franchisee's sole expense, Franchisee shall promptly cure all deviations from Company's standards, specifications and operating procedures of which Franchisee is notified either orally or in writing. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives and agents, hereby waives any claim that any inspections or recordings violate any person's rights of privacy.

E. Annual Meeting. In addition to additional training, Company may conduct an annual meeting at a location that Company selects (the "Annual Meeting") to address recently-implemented changes in the Pilates ProWorks® System and other topics of common interest to franchisees, including, without limitation, changes in Designated Goods/Services and Non-Designated Goods/Services, changes in the mandatory Pilates ProWorks® fitness curriculum, changes in supplier relationships, industry trends, client relations, personnel administration, local advertising and promotional strategies, and competitive changes. If Company chooses to conduct an Annual Meeting, Company will determine the content, location and length of the Annual Meeting; provided, however, the Annual Meeting shall not exceed 3 days in any 12 Calendar Month period. Company may require the attendance of Franchisee's Certified Manager, Primary Owner or other designated personnel at one or more Annual Meetings, provided, however, Company shall not require that more than 2 persons attend the Annual Meeting. Company may impose a registration fee of up to $500 per person. Additionally, Franchisee shall pay the transportation, lodging, personal expenses and salary for each employee who attends an Annual Meeting.

XV. INSURANCE

A. Minimum Coverage. Before the Opening Date, Franchisee shall procure, at its own expense, and maintain in full force and effect during the Term policies of insurance in accordance with the requirements of this Agreement, including the following terms and conditions:

1. Comprehensive general liability insurance of no less than $2 Million Dollars per occurrence and no less than $4 Million Dollars aggregate covering product liability, motor vehicle liability, bodily and personal injury/death, personal and advertising injury, and property damage liability, combined single limit (including broad form contractual liability), or the higher amount required by the Lease, insuring Company and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Studio or the activities of Franchisee's employees. The required liability coverage shall not be limited in any way by reason of any insurance which Company maintains.

2. Workers' compensation and employer's liability insurance at the minimum limits required by Applicable Law.

3. All "Risks" or "Special" form general casualty insurance coverage insurance including, without limitation, fire and extended coverage, vandalism and malicious mischief insurance, and coverage for additional perils (including, without limitation, flood and earthquake coverage if applicable to the area where the Franchised Studio is located), for the full replacement value of the Franchised Studio and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required. The minimum coverage shall be no less than the amounts specified in the Confidential Manual on the Effective Date.

4. Fire legal liability insurance with coverage of not less than $300,000 or the higher amount required by the Lease.

5. Any person that Franchisee hires as a general contractor or to perform comparable services at the Approved Location must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of $1 Million Dollars plus additional insurance coverage to protect against damage to the premises and structure and other course of construction hazards.

6. Business interruption insurance in an amount sufficient to cover the Franchised Studio' expenses (including payments due to Company), profits and losses for a minimum period of 12 months from the date of a closure due to an insured loss.

7. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties that the Lease requires be covered as additional insureds.

B. <u>Additional Insurance Specifications.</u>

1. Company shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company's experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request.

2. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility meeting the standards stated in the Manual. Before the Opening Date, or the earlier date specified in the Lease, and then not less than annually thereafter on or before January 1 of each Calendar Year after the Opening Date, Franchisee shall submit to Company certificates of insurance showing compliance with Company's insurance requirements. Franchisee shall not begin construction or development of, or install equipment in, the Approved Location pursuant to Franchisee's Construction Drawings until Franchisee submits proof of its general contractor's insurance required by this Agreement. All certificates of insurance shall state that the policy will not be canceled or altered without at least 30 days prior written notice to Company. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

3. Company and any Affiliates that Company designates shall each be named as an additional insured on all required insurance. Franchisee shall additionally cause each policy of insurance required by this Agreement to include a waiver of subrogation, which shall provide that Franchisee, on the one hand, and Company, on the other hand, each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers shall not be limited by the amount of insurance carried by Franchisee or as otherwise required by this Agreement or by any deductible applicable thereto.

4. Should Franchisee not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on the default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Franchisee shall pay Company an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a 25% service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

5. Franchisee understands and agrees that the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage and specified types of insurance will be sufficient for the Franchised Studio. Franchisee understands and agrees that it is solely responsible for determining if the Franchised Studio requires higher coverage limits or other types of insurance protection.

XVI. COVENANTS

A. Competition.

1. During the Term and any Renewal Term, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates, any Covered Person or any person who is employed by Franchisee and performs duties as a PPW Certified Instructor, directly or indirectly, to own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person or PPW Certified Instructor/employee for a period longer than 2 years from the date that the individual ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner or PPW Certified Instructor/employee of Franchisee. This restriction does not apply to PPW Certified Instructors whom Franchisee classifies as an independent contractor.

2. For a period of 2 years after the Effective Date of Termination or Expiration of the last Franchise Agreement between Franchisee and Company (if Franchisee and Company are, or become, parties to more than one Franchise Agreement), or after an Event of Transfer that results in Franchisee selling and assigning all of its contractual rights concerning all Pilates ProWorks® Studios for which Franchisee owns a franchise, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business that is located anywhere within 5 miles of the Approved

Location or any other Pilates ProWorks® Studio anywhere in the world that is open for business on or after the Effective Date of Termination or Expiration of this Agreement or the effective date of an Event of Transfer.

3. This Agreement does not prohibit Franchisee, Franchisee's Affiliates or any Covered Person from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

4. Franchisee acknowledges that the restrictions set forth in this Section are reasonable and necessary to protect Company's legitimate business interests which include taking reasonable measure to prevent Franchisee, Franchisee's Affiliates and Covered Persons from using Company's Confidential Information while this Franchise Agreement is in full force and effect to engage in activities that directly or indirectly benefit a Competitive Business.

B. Palming Off.

1. For as long as there is any PPW Studio operating anywhere in the world, no PPW Certified Instructor (regardless of whether the PPW Certified Instructor is, or was, employed by Franchisee or retained by Franchisee as an independent contractor) may use the same or similar exercise scripts or music as Company includes in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.

2. After the restrictions against competition in this Section applicable to a Covered Person end and for as long as there is any PPW Studio operating anywhere in the world, no Covered Person may use the same or similar exercise scripts or music as Company includes in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.

C. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or client of the Franchised Studio to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the Pilates ProWorks® System.

D. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of Confidentiality and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

E. Survival. The covenants stated in this Section shall survive termination, expiration or the transfer of this Agreement.

F. Savings Clause. The parties acknowledge that the covenants set forth in this Section are independent of the other covenants and provisions of this Agreement. If any provision in this Section is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Protected Area is located (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Section, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

G. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Section. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to issuance or entry of Provisional Remedies without the requirement that Company post bond or comparable security. Franchisee further agrees that the award of Provisional Remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

XVII. DEFAULT AND TERMINATION

A. Termination by Franchisee.

1. Franchisee may terminate this Agreement by written notice to Company for any reason constituting good cause, provided termination is accomplished in accordance with the requirements of this Agreement. Any attempt by Franchisee to terminate this agreement except on the grounds, or according to the procedures, stated in this Agreement shall be void.

2. Good cause means that Company has committed a material and substantial breach of this Agreement that it has not cured within the period allowed by this Agreement. Franchisee's written notice must specify with particularity the matters cited to be in default and provide Company with a minimum of 30 days in which to cure the default. Additional time to cure must be provided as is reasonable under the circumstances if a default cannot reasonably be cured within the minimum 30-day period. Franchisee's written notice of termination of this Agreement for good cause shall not excuse Franchisee from continuing to perform its obligations under this Agreement during the cure period or entitle Franchisee to a refund of any money that Franchisee has paid to Company or Company's Affiliates pursuant to this Agreement.

B. Termination By Company Without Opportunity to Cure.

1. Company may terminate this Agreement, in its sole discretion and election, effective immediately upon Company's delivery of written notice of termination to Franchisee based upon the occurrence of any of the following events which shall be specified in Company's written notice, and Franchisee shall have no opportunity to cure a termination based on any of the following events:

(a) Should Franchisee fail to obtain site approval and sign a Lease and Addendum to Lease for the Approved Location by 180 days after the Effective Date of this Agreement;

(b) Should Franchisee fail or refuse to pay, on or before the date payment is due, all Royalty Fees, Brand Development Creative Fees or any other amounts payable to Company, Company's Affiliates, the Brand Development Creative Fund or any

Regional Advertising Co-op, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

(c) Should Franchisee fail or refuse to submit any report or financial statement on or before the date due, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

(d) Should any Primary Owner fail or refuse to execute and deliver Company's form of Personal Guaranty or deliver the financial statements required by this Agreement for a period of 10 days after written notice of default is given by Company to Franchisee;

(e) Should Franchisee lose the right to occupy the Approved Location due to Franchisee's breach of the Lease based on a default which either cannot be cured or which Franchisee fails to cure within the allowed time period;

(f) Should Franchisee commit an event of default under any other agreement by and between Franchisee and Company pertaining to the Franchised Studio and franchise awarded by this Agreement which, by its terms, cannot be cured or which Franchisee fails to cure within the allowed time period;

(g) Should Franchisee make any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. § 1101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee obtains an order dismissing the proceeding within 60 days after the petition is filed; or should a trustee or receiver be appointed to take possession of all, or substantially all, of the assets of the Franchised Studio, unless possession of the assets is restored to Franchisee within 60 days following the appointment; or should all, or substantially all, of the assets of the Franchised Studio or the franchise rights be subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 60 days following issuance;

(h) Should Franchisee, or any duly authorized representative of Franchisee, make a material misrepresentation or omission in obtaining the franchise rights granted hereunder, or should Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, be convicted of or plead no contest to a felony charge or engage in any conduct or practice that, in the exercise of Company's reasonable business judgment, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the Pilates ProWorks® System;

(i) Should Franchisee fail to comply with the conditions governing the transfer of rights under this Agreement in connection with an Event of Transfer;

(j) If Franchisee is a Business Entity, should an order be made or resolution passed for the winding-up or the liquidation of Franchisee or should Franchisee adopt or take any action for its dissolution or liquidation;

(k) Should Franchisee have received from Company, during any consecutive 24-Calendar Month period, 3 or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not each default is timely cured by Franchisee);

(l) Should Franchisee make any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Confidential Manual, or should any person required by this Agreement to execute a Confidentiality and Non-Competition Agreement with Company or Franchisee breach the Confidentiality and Non-Competition Agreement during the time period that the person is employed or engaged by Franchisee;

(m) Should Franchisee abandon or fail or refuse to actively operate the Franchised Studio for any period such that Company may reasonably conclude that Franchisee does not intend to continue operating it, unless Franchisee obtains Company's written consent to close the Franchised Studio for a specified period of time before Franchisee ceases regular activities;

(n) Should Franchisee materially misuse or make an unauthorized use of any of the components of the Pilates ProWorks® System or commit any other act which does, or can reasonably be expected, in the exercise of Company's reasonable business judgment to impair the goodwill or reputation associated with any aspect of the Pilates ProWorks® System;

(o) Should Franchisee intentionally underreport Gross Revenue under the criteria established in this Agreement;

(p) Should Franchisee fail to comply with any violation of federal, state or local law within 10 days after being notified of non-compliance, unless the violation involves public health and safety, in which case the length of the cure period shall be reasonable under the circumstances, but need not exceed 10 days; or

(q) Should Company make a reasonable determination in the exercise of Company's reasonable business judgment that Franchisee's continued operation of the Franchised Studio will result in imminent danger to public health and safety.

C. Termination by Company With Right to Cure.

1. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Agreement not identified in Subsection B above, or fail or refuse to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the Confidential Manual or otherwise communicated to Franchisee, Company may terminate this Agreement, in its sole discretion and election, effective at the close of business 30 days after giving written notice of default to Franchisee which specifies the grounds of default, if Franchisee fails to cure the default cited in the notice by the end of the 30-day cure period. Company may indicate its decision to terminate by written notice given to Franchisee any time before, or after, the end of the 30-day cure period including in the original notice of default.

2. If a default cannot reasonably be cured within 30 days, Franchisee may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in writing signed by Company. The additional cure period, if any, shall, in Company's estimation, be sufficient in duration to enable a reasonable person acting diligently to complete the cure within the extended period. If Company grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

D. Effect of Termination or Expiration.

1. If Company terminates this Agreement based on Franchisee's failure to obtain site approval and sign a Lease and Addendum to Lease within 180 days after the Effective Date of this Agreement, Company will refund all but $5,000 of the Initial Franchise Fee to Franchisee if Franchisee executes Company's form of General Release. Otherwise, Franchisee is not entitled to a refund of any portion of the Initial Franchise Fee or any other fees or payments to Company or Company's Affiliate if Company terminates this Agreement in accordance with the procedures stated in this Agreement.

2. In any proceeding in which the validity of termination of this Agreement is at issue, Company will not be limited to the reasons set forth in the notice of default or termination given to Franchisee.

3. The termination or expiration of this Agreement shall result in the concurrent, and automatic, termination of any other agreements between Franchisee and Company or Company's Affiliates specifically pertaining to the license to operate the Franchised Studio. However, all other contracts then in effect between the parties concerning other Pilates ProWorks® Studios owned by Franchisee shall remain in full force and effect unless Company takes steps independently to terminate the other contracts pursuant to their terms.

XVIII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

A. Franchisee's Obligations. On and after the Effective Date of Termination or Expiration of this Agreement, Franchisee must comply with the following duties:

1. Franchisee shall immediately pay all Royalty Fees, Brand Development Creative Fees and other amounts owed to Company or Company's Affiliate, including, without limitation, amounts for purchasing Designated Goods/Services and late charges and interest on any late payments. Royalty Fees and Brand Development Creative Fees shall continue to be due and payable (and late charges thereon assessed) after the Effective Date of Termination or Expiration of this Agreement until the date that Franchisee completes all post-termination obligations required by this Agreement.

2. When termination is based upon Franchisee's default, Franchisee shall also pay to Company all damages, costs and expenses, and reimburse Company for its reasonable fees to retain attorneys, accountants or other experts which it incurs to enforce its rights under this Agreement in the event of a default and/or termination whether or not mediation or judicial action is commenced. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the Effective Date of Termination or Expiration of this Agreement or until the date that Franchisee completes all post-termination or expiration obligations required by this Agreement, whichever occurs later.

3. Franchisee shall immediately pay any Co-op Advertising Fees owed to the Regional Advertising Co-op to which it has been assigned including any interest on any late payments.

4. Franchisee shall permanently cease using, in any manner whatsoever, all rights and property incorporated within or associated with the Pilates ProWorks® System in a manner that suggests or indicates that Franchisee is, or was, an authorized Pilates ProWorks®

franchisee or continues to remain associated with the Pilates ProWorks® System. Franchisee shall cancel all Local Advertising and other promotional activities that associate Franchisee with the Pilates ProWorks® System. Franchisee shall cancel all fictitious or assumed name or equivalent registrations relating to its use of the Licensed Marks. Continued use by Franchisee of rights or other property incorporated within or associated with the Pilates ProWorks® System shall constitute willful trademark infringement and unfair competition by Franchisee.

5. Company shall notify Franchisee within 5 days after the Effective Date of Termination or Expiration of this Agreement if Company will either (i) demand an assignment of the telephone numbers and business directory listings for the Franchised Studio; or (ii) require Franchisee to disconnect the telephone number and take all steps necessary to remove all telephone and other business directory listings that display any of the Licensed Marks. If Company gives timely notice that it will require an assignment, Franchisee hereby grants Company a power of attorney to complete the necessary documentation on Franchisee's behalf that the telephone company or listing services require in order to accomplish an assignment of the phone number and business listings. If Company gives timely notice that it will require Franchisee to disconnect the phone number and remove all telephone and business directory listings, Franchisee shall promptly furnish Company with evidence satisfactory to Company demonstrating Franchisee's compliance with this obligation within 10 days after the Effective Date of Termination or Expiration of this Agreement. Franchisee shall not be entitled to any compensation taking the actions required by this Section.

6. Franchisee shall immediately cease using and, within 48 hours after the Effective Date of Termination or Expiration of this Agreement, return to Company all copies of any portion of the Confidential Manual in Franchisee's possession or provide evidence satisfactory to Company that all information in Franchisee's possession pertaining to Confidential Information have been permanently removed from Franchisee's Pilates ProWorks® Computer System and permanently erased or destroyed.

7. If on the Effective Date of Termination or Expiration of this Agreement the Pilates ProWorks® Computer System includes proprietary software, Franchisee agrees to immediately (i) discontinue using the proprietary software and permanently remove the proprietary software from Franchisee's computers. Franchisee understands that Company will terminate Franchisee's access to the Pilates ProWorks® Intranet on or after the Effective Date of Termination or Expiration of this Agreement. Continued use by Franchisee of any proprietary software or Confidential Information after the Effective Date of Termination or Expiration of this Agreement will constitute violation of this Agreement and willful copyright or other intellectual property infringement. Franchisee may not retain any copy or record of any of these materials.

8. Company shall give Franchisee written notice of its election to accept an assignment of the Lease within 10 days after the Effective Date of Termination or Expiration. Company's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Company gives notice that it will accept an assignment of the Lease, Franchisee shall promptly vacate the Approved Location as required by the Addendum to Lease and leave the premises and all fixtures and equipment that are not capable of being removed without damage to the Approved Location, or which the Lease forbids to be removed, in good working order, condition and repair. If Company does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within 20 days after the Effective Date of Termination or Expiration, remove all signs and other physical and structural features that readily identify the site as a Pilates ProWorks® Studio, in a manner acceptable to Company, so that the former Approved Location no longer suggests or indicates a connection with the Pilates

ProWorks® System. Company's right to accept an assignment of the Lease is independent of Company's right to acquire the physical non-fixtures assets in the Approved Location on the terms of this Agreement.

9. Company may enter the Approved Location as frequently as necessary during the Franchised Studio's normal business hours without prior notice, or at such other times as the parties mutually agree, in order to inspect the Designated Goods/Services and condition of the Approved Location in deciding whether to exercise the options granted by this Section and, generally, to enforce its rights under this Section. Franchisee shall cooperate by providing Company with access to the Approved Location and copies of books and records and documentation verifying the purchase price and showing liens, repair and maintenance records, and other information bearing on the then-current condition of the property.

10. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

11. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Studio for 5 years after the Effective Date of Termination or Expiration of this Agreement. During this period, Franchisee shall permit Company to inspect such business records as frequently as Company deems necessary.

B. Personal Guaranty. Upon the Effective Date of Termination or Expiration of this Agreement, Company may enforce the Personal Guaranty executed by each Primary Owner in order to secure payment and performance of Franchisee's obligations under this Agreement including those in this Section that arise upon the termination or expiration of this Agreement and those that survive the termination or expiration of this Agreement.

C. Company's Right to Purchase Physical Assets of the Franchised Studio.

1. Company shall have the right, but not the obligation, to purchase all, or any, of Franchisee's non-fixture physical assets relating to the Franchised Studio that are not treated by the Lease as fixtures of the Approved Location and part of the realty, at Franchisee's original cost less any depreciation, based upon Franchisee's depreciation schedule, less the remaining balance, if any, of any financing that Franchisee owes to third parties for which the physical asset is pledged as security.

2. Company may exercise this option by giving Franchisee written notice within 10 days after the Effective Date of Termination or Expiration of this Agreement, specifying in the notice the specific physical assets that it desires to purchase. Within 10 days following receipt of Company's written notice, Franchisee shall furnish Company with documentation substantiating the original cost of each item identified by Company and depreciation taken as reported by Franchisee in its federal and state income tax returns. Within 10 days following receipt of Franchisee's documentation, Company shall notify Franchisee of the particular assets it will purchase and calculate the purchase price for the items in accordance with this Section, and within 10 days after giving the notice, Company will pay Franchisee the purchase price, less permitted set-offs.

3. Franchisee shall deliver possession of the physical assets to Company upon Company's payment of the net purchase price free and clear of all liens and encumbrances not approved by Company in writing. If equipment is subject to an equipment

lease and Company elects to accept an assignment, Franchisee shall cooperate with Company in arranging for an assignment of the equipment lease to Company, which shall assume the obligations under the equipment lease arising on or after the effective date of assignment. Company's failure to serve written notice of its election within 10 days after the Effective Date of Termination or Expiration of this Agreement shall signify its decision not to purchase any remaining non-fixture physical assets of Franchisee.

4. With respect to the non-fixture physical assets that Company purchases, Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company, Company's Affiliates, the Brand Development Creative Fund or any Regional Advertising Co-op to which Franchisee has been assigned under this Agreement, including damages, costs and expenses and reasonable attorneys' fees in enforcing the default and termination. For the sake of clarity, Company may reduce the purchase price by the amount of any Liquidated Damages that may be payable by Franchisee to Company pursuant to this Agreement. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law.

D. Survival of Obligations. All obligations of the parties that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement shall continue in full force and effect subsequent to the Effective Date of Termination or Expiration of this Agreement until they are satisfied in full. Franchisee shall remain fully liable for any and all obligations of the Franchised Studio, whether incurred before, or after, the Effective Date of Termination or Expiration of this Agreement, including, without limitation, obligations arising under this Agreement, the Lease, and all obligations owed to Company's Affiliates and other third parties including, without limitation, payments to designated or approved suppliers, independent contractors and salaries to employees and taxes.

E. Third Party Rights; Available Remedies.

1. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent.

2. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Law.

XIX. ASSIGNMENT AND TRANSFER

A. Assignment by Company. Franchisee acknowledges that Company maintains a staff to manage and operate the Pilates ProWorks® System and that staff members can change from time to time. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or Business Entity without prior notice to, or consent of, Franchisee if the assignee agrees in writing to assume Company's obligations under this Agreement. Upon the assignment and assumption, Company shall have no further obligation to Franchisee.

B. Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third-party designee shall perform the delegated functions in compliance with this Agreement. When Company delegates its duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company shall remain responsible for the performance of the third-party to whom Company's duties are delegated.

C. Assignment by Franchisee: In General. Franchisee understands and agrees that the franchise rights awarded by this Agreement are personal and are awarded in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a Business Entity, that of its officers, directors, general partners, LLC managers, and Primary Owners.

1. Without Company's prior written consent, Franchisee shall not, directly or indirectly, attempt or complete an Event of Transfer either voluntarily or by operation of law except in accordance with this Agreement. Company agrees not to withhold its consent unreasonably if Franchisee satisfies the conditions applicable to an Event of Transfer or a Qualified Transfer. Company shall exercise reasonable business judgment in evaluating if Franchisee has satisfied all applicable conditions. Any attempted or purported transfer which fails to comply with the requirements of this Agreement shall be null and void and constitute a material default of this Agreement.

2. Company's consent to an Event of Transfer is not a representation of the fairness of the terms of any contract between Franchisee and a transferee, a guarantee of the Franchised Studio' or transferee's prospects for success, or a waiver of any claims that Company or Company's Affiliates may have against Franchisee or any Primary Owner as a personal guarantor.

D. Company's Right of First Refusal.

1. Except with respect to Qualified Transfers, if Franchisee, or the person to whom an offer is directed (the "Individual Transferor"), receives a bona fide written offer ("Third Party Offer") to purchase or otherwise acquire an interest that will result in an Event of Transfer, Franchisee or the Individual Transferor, shall, within 5 days after receiving the Third Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer. Additionally, the following conditions shall apply:

(a) Franchisee, or the Individual Transferor, shall attach to its application for consent to complete the proposed Event of Transfer a complete copy of the Third Party Offer together with (i) information relating to the transferee's experience and qualifications; (ii) a copy of the transferee's current financial statement, and (iii) any other information material to the Third Party Offer, transferee, proposed Event of Transfer or that Company reasonably requests.

(b) Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Franchisee to Company, Company's Affiliates, the Brand Development Creative Fund and any Regional Advertising Co-op to which Franchisee has been assigned under this Agreement or otherwise. If Company gives timely Notice of Exercise, the assets that Company purchases shall be free and clear of liens. If any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing.

(c) The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 90 days following Company's receipt of the Third Party Offer, all supporting information, and the application for consent to transfer.

(d) At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Individual Transferor to the transferee pursuant to the Third Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

(e) All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

E. <u>Conditions of Assignment to Third Party.</u>

1. If Company does not exercise its right of first refusal, Franchisee may not complete the Event of Transfer without Company's prior written consent. An Event of Transfer or attempt to complete an Event of Transfer that takes place in violation of this provision is a material breach of this Agreement. The requirements of this Section do not apply to a Qualified Transfer. As a condition to Company's consent to an Event of Transfer, the following conditions must be satisfied:

(a) The proposed transferee must submit a completed franchise application to Company and meet Company's then-current qualifications for new Pilates ProWorks® franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation. Company's evaluation of the proposed transferee's financial condition shall take into account the amount the proposed transferee is obligated to pay to Franchisee to consummate the Event of Transfer.

(b) As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement, the Lease, or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including, without limitation, Company's Affiliates.

(c) If Company is awarding new franchises in the state where the Franchised Studio is located on the date that consent is requested, Company will deliver its then-current Franchise Disclosure Document if required by Applicable Law which will include Company's then-current Franchise Agreement, which the proposed transferee must execute in accordance with Applicable Law in order to consummate the Event of Transfer. Under the then-current Franchise Agreement, the proposed transferee must pay the then-current Initial Franchise Fee on the closing date of the Event of Transfer in exchange for which the proposed transferee will obtain a full new term and any renewal rights stated in then-current Franchise Agreement. If Company is not awarding new franchises in the state where the Franchised Studio is located on the date that consent is requested, Company will allow the proposed transferee to assume Franchisee's rights under this Agreement effective on the closing date of the Event of Transfer by executing Company's form of assignment and assumption agreement. In that case (i) the proposed buyer is not required to pay any initial franchise fee; and (ii) following the closing the proposed buyer will have the franchise rights under this Agreement for the remainder of the Term including the right to exercise the renewal option on the terms of this Agreement if the time for exercising it has not yet expired.

(d) Franchisee shall pay Company a transfer fee equal to the sum of $5,000. The transfer fee is due and payable in full when Franchisee requests written consent to the proposed Event of Transfer. Once Franchisee pays the transfer fee, it is fully-earned and non-refundable except if Company determines that the proposed transferee does not meet Company's then-current qualifications for new Pilates ProWorks® franchisees and refuses to consent to the proposed Event of Transfer, in which case Company may retain up to $1,500 of the transfer fee (or of each transfer fee paid, if more than one franchise would be transferred as part of the same transaction).

(i) If Franchisee owns and transfers more than one franchise simultaneously, as part of the same transaction, to the same proposed transferee, Franchisee shall pay a separate transfer fee for each of the separate franchises being transferred and comply with any additional transfer conditions set forth in the applicable Franchise Agreements.

(ii) If the Event of Transfer involves a Public or Private Offering, the transfer fee shall be an amount not to exceed $20,000 equal to Company's actual costs to review Franchisee's offering memorandum, registration statement or comparable documents. Franchisee understands and agrees that in reviewing Franchisee's offering memorandum, registration statement or comparable documents, Company does not certify that the statements in Franchisee's offering memorandum, registration statement or comparable documents are true, correct or not misleading or that Franchisee's offering memorandum, registration statement or comparable documents comply with Applicable Law. Instead, Company's review is for the purpose of verifying the accuracy of Franchisee's statements about Company, Pilates ProWorks® Studios, and the Pilates ProWorks® System.

(e) Franchisee must simultaneously transfer its rights under the Lease and all other contracts whose continuation is necessary for operation of the Franchised Studio to the same proposed transferee and satisfy any separate conditions to obtain any third party consents required to accomplish the transfers, including, without limitation, the consent of the landlord of the Approved Location.

(f) Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

(g) The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a Business Entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, 20% or more of the equity or voting interests of the proposed transferee and would qualify as a Primary Owner must execute Company's then-current form of Personal Guaranty unless the then-current Franchise Agreement sets a lower percentage ownership threshold in which case the percentage in the then-current Franchise Agreement shall control.

(h) Franchisee's right to receive the sales proceeds from the proposed transferee shall be subordinate to the proposed transferee's and Franchisee's duties owed to Company and Company's Affiliates under, or pursuant to, this Agreement or any other agreement as of the effective date of the Event of Transfer. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations that the proposed transferee owes to Company and Company's Affiliates are fully satisfied.

(i) Franchisee must arrange with Company to enroll the proposed transferee or its Primary Owner and staff in the next available Business Operations Training and PPW Instructor Training so that the proposed transferee can qualify at least one person as a Certified Manager (under circumstances where a previously qualified Certified Manager will not continue to work with the proposed buyer after the closing date). The proposed buyer must also either arrange to have Franchisee's PPW Certified Instructors continue to teach at the Franchised Studio after the closing date or enroll a sufficient number of prospective instructors in the next available PPW Instructor Training module in order to avoid interruption in the delivery of fitness classes or other operations to the public during the sales process. Delivery of Business Operations Training and PPW Instructor Training to the proposed transferee and its staff shall be by mutual arrangement with the proposed transferee. Franchisee shall pay Company the applicable training fees provided in this Agreement on behalf of the proposed transferee regardless of whether Franchisee seeks reimbursement from the proposed transferee or any prospective instructors. Until the proposed transferee satisfies minimum training requirements and qualifies at least one person as a Certified Manager, Franchisee shall remain responsible for operation and management of the Franchised Studio until the proposed transferee. The proposed transferee shall be solely responsible for all personal expenses that it and its employees incur in connection with such training, including transportation, lodging, food, salary and other personal charges.

(j) Company may condition consent on Franchisee completing before the closing date specific improvements and repairs to the Approved Location in order to conform the Approved Location to Company's then-current appearance and design standards and equipment specifications.

(k) Neither Company's exercise of its right of first refusal, its consent to an Event of Transfer, nor Franchisee's consummation of a transfer shall operate to release Franchisee of those obligations that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement, including, without limitation, the provisions regarding non-disclosure of Confidential Information.

2. Franchisee may only complete the Event of Transfer to the proposed transferee on the terms identified in the Third Party Offer or as otherwise stated in Franchisee's application for consent. If there is any material change in the terms of the Third Party Offer,

Company has a right of first refusal to accept the new terms subject to the conditions stated in this Section.

3. If Company consents to the transfer to a third party, the transfer must close within 60 days from the date the Third Party Offer is first submitted to Company unless Franchisee requests in writing, and Company agrees to grant, an extension of time to close the transfer, which consent Company agrees not to unreasonably withhold. If Company refuses to grant the extension of time, Franchisee must again offer Company the opportunity to exercise its right of first refusal subject to the conditions stated in this Section.

F. Business Entity Franchisee.

1. If Franchisee is a Business Entity, Franchisee shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the Business Entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all persons owning an interest in the equity or voting interests of the Business Entity. Additionally, Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the documents or other information during the Term.

2. Franchisee shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend, in the form stated in the Confidential Manual, that it is held, and further assignment or transfer thereof is, subject to all restrictions imposed upon transfer set forth in this Agreement.

3. Franchisee's Primary Owner shall deliver a certificate to Company annually, when Franchisee's annual financial statements are delivered, which lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Franchisee and identifies all transfers of equity or voting interests in Franchisee which have occurred during the period covered by the annual financial statement.

G. Qualified Transfers. Before completing a Qualified Transfer, Franchisee must do all of the following: (i) provide Company with written notice of its intent to complete a Qualified Transfer; (ii) when the Qualified Transfer is to a newly-formed Business Entity, deliver the documents which this Agreement requires be delivered by a Business Entity that is the Franchisee; (iii) pay a transfer fee of $1,500 per Qualified Transfer; and (iv) execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents. The Qualified Transfer shall not be effective unless and until Franchisee satisfies conditions (i)-(iv). Company shall not have a right of first refusal with respect to a Qualified Transfer, nor shall Company's prior written consent to a Qualified Transfer be necessary if Franchisee satisfies the conditions stated in this Section.

H. Death or Incapacity.

1. Subject to the provisions of this Section, if an Event of Transfer occurs due to the death or Incapacity of a Franchisee that is a natural person, or, if Franchisee is a Business Entity, any person owning enough equity or voting interests of the Business Entity to result in a Change of Control, the spouse, heirs, executor or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members,

partners or owners, as appropriate to the circumstance (collectively referred to as the "Successor") shall have 180 days from the date of death to (i) qualify themselves; or (ii) complete the sale or assignment of the interest to a qualified, approved third party. In either (i) or (ii), the Successor must satisfy all of the conditions and obtains Company's consent to complete the Event of Transfer. At the end of the 180-day period, if the Successor has not obtained Company's consent to complete the Event of Transfer, Company may, at its election, terminate this Agreement.

2. Immediately following the date of death or Incapacity, if the Successor is unable to demonstrate to Company's reasonable satisfaction that the Successor has the financial ability and business skills to operate the Franchised Studio in accordance with the requirements of this Agreement during the interim period until the Successor is able to obtains Company's consent to complete the Event of Transfer, Company shall have the absolute right to occupy the Approved Location and assume day-to-day management of the Franchised Studio for the account of Franchisee. In addition to receiving the fees due to Company under this Agreement, Franchisee agrees that in exchange for Company's management services, Company shall be entitled to receive a reasonable management fee in the then-current amount published in the Confidential Manual and be reimbursed for all of its direct costs and expenses in rendering management services. This Agreement shall otherwise continue in full force and effect during the period of Company's day-to-day management. The Successor's failure or refusal to cooperate with Company's right to turn management of the Franchised Studio over to Company during the interim period if required by this Section shall constitute a material breach of this Agreement.

3. The parties recognize that Company's right to manage the Franchised Studio is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Franchised Studio's continuous operation. Company shall manage the Franchised Studio only until the Successor obtains Company's consent to the Event of Transfer, but in no event shall Company be required to manage the Franchised Studio for longer than 90 days. By mutual agreement of Company and the Successor, the period of Company's management may be extended for longer than 90 days, but in no event shall it extend beyond one year from the date of death or Incapacity. If the Successor cannot obtain Company's consent to a proposed transferee by the end of one year, Company may terminate this Agreement.

4. During the time that Company manages the Franchised Studio, Company shall periodically discuss the status of the Franchised Studio's operations and financial results with the Successor and provide suitable current information about the Franchised Studio's performance as the Successor may reasonably require.

XX. RELATIONSHIP OF PARTIES: INDEMNIFICATION: SECURITY INTEREST

A. Independent Contractor. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. With respect to all matters, the Franchisee relationship to Company is as an independent contractor. Franchisee understands and agrees that it is the independent owner of the Franchised Studio and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and sole discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself in all advertising and all dealings with clients, suppliers and other third parties as the owner of the Franchised Studio operating under a license from Company.

B. Indemnification by Franchisee.

1. Franchisee shall indemnify and hold Company, Company's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, fines, penalties, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to the Franchised Studio or Franchisee's occupancy of the Approved Location, whether or not arising from bodily injury, personal injury or property damage, infringement (other than Third Party Claims within the scope of Company's agreement to indemnify Franchisee as set forth in his Agreement), or any other violation of the rights of others, or in any other way, subject to the provisions of this Agreement.

2. Franchisee's indemnification obligations shall extend, without limitation, to (i) all claims for actual, consequential and punitive damages; (ii) claims for lost profits; (iii) costs of investigation; (iv) costs and expenses incurred in defending any claim within the scope of Franchisee's indemnification including, without limitation attorneys and other professional fees, court costs, and travel and living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Company's attorneys, experts and advisors; (v) costs and expenses for any recalls, refunds, compensation or public notices; (vi) claims based on alleged "vicarious", "principal/agent" or other legal theories as a result of Company's status as franchisor; and (vii) costs and expenses that Company or any of the indemnified parties incur as a result of any litigation or insolvency proceedings involving Franchisee (whether or not Franchisee is a party in the proceeding).

3. The scope of Franchisee's indemnification obligations shall apply regardless of whether a claim brought against Company, Company's Affiliates or any of the indemnified individuals is reduced to final judgment or results in settlement. The indemnified parties shall have the right to retain their own counsel to defend any third party claim which is covered by this indemnification agreement. The scope of Franchisee's indemnification obligations shall not be limited by decisions that an indemnified party makes in connection with their defense.

4. If a final judgment results in a finding that an indemnified party's liability is due to the indemnified party's gross negligence, willful misconduct or criminal acts, any costs or expenses paid or incurred by Franchisee pursuant to Franchisee's indemnification obligation shall promptly be reimbursed in full by the indemnified party to Franchisee except to the extent that the final judgment finds Franchisee jointly liable, in which event Franchisee's indemnification obligation will extend to any finding of Franchisee's comparative or contributory negligence.

5. Franchisee shall give Company written notice of any claim, matter, inquiry or investigation that could be the basis for a claim for indemnification promptly after Franchisee has actual knowledge or is deemed to have constructive knowledge of the claim, matter, inquiry or investigation. Franchisee shall fully cooperate with Company in connection with Company's handling of the claim, matter, inquiry or investigation. Company shall have no duty to seek recovery from third parties to mitigate its losses or reduce Franchisee's liability under its indemnification obligation.

6. Franchisee's indemnification obligations shall survive the expiration, termination or assignment of this Agreement for any reason.

C. Security Interest. To secure Franchisee's performance under this Agreement, Franchisee hereby grants to Company a security interest in and to all of Franchisee's tangible and intangible property used to operate the Franchised Studio. Company shall record appropriate financing statements to protect and perfect Company's rights as a secured party under Applicable Law. Except with Company's prior written consent, which Company shall not unreasonably withhold, it shall be a breach of this Agreement for Franchisee to grant another person a security interest in Franchisee's tangible or intangible assets of the Franchised Studio even if subordinate to Company's security interest. Company agrees to subordinate Company's own security interest if requested by a lender providing financing to Franchisee on commercially reasonable terms in connection with the purchase of the franchise.

XXI. PERSONAL GUARANTY

A. Scope. If Franchisee is a Business Entity, each person who now or during the Term is a Primary Owner shall furnish any financial information reasonably required by Company and execute Company's Personal Guaranty in the form attached as **Schedule B**.

B. Default. An event of default under this Agreement shall occur if any Primary Owner fails or refuses to deliver to Company, within 10 days after Company's written request: (i) evidence of the due execution of the Personal Guaranty, and (ii) current financial statements as may from time to time be requested by Company.

XXII. DISPUTE RESOLUTION

A. Agreement to Mediate Disputes. Except as provided in subparagraph B of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

1. The mediation shall be conducted pursuant to the rules of JAMS ("the Mediation Service"). Either party may initiate the mediation (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

2. The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that mediator and Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

3. The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorney's fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

4. The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by Applicable Law.

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

6. The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

7. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

8. If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs; (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

B. Exceptions to Duty to Mediate Disputes.

1. The obligation to mediate shall not apply to any disputes, controversies or claims (i) where the monetary relief sought is under $10,000, (ii) in which Company seeks to enforce its rights under any Addendum to Lease, or (iii) any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to

preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond.

2. .Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security.

C. Judicial Relief.

1. The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters at the time, or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of San Francisco, and the United States District Court of the Northern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this Section and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

2. To the fullest extent that it may effectively do so under Applicable Law, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents or property arising out of or relating to this Agreement except in the courts identified in this Section.

D. Expedited Discovery. In connection with any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

E. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PILATES PROWORKS® SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

F. Choice of Law. Except as otherwise provided in this Agreement with respect to the possible application of Local Laws, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

G. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction which constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation which is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

H. Liquidated Damages. If this Agreement is terminated due to Franchisee's material breach, Company may recover liquidated damages calculated in the manner provided in this Section ("Liquidated Damages"). The calculation of Liquidated Damages is based on the parties' good faith estimate of the amount of time it would take Company to find a replacement for Franchisee in the trade area that had been served by Franchisee and for the replacement to generate fees equivalent to the amounts paid or payable by Franchisee. The parties agree that: (i) if termination occurs more than 36 complete Calendar Months from the Opening Date, Liquidated Damages shall be equal to the product of 36 times the average Royalty Fees and Brand Development Creative Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, for the 36 Calendar Months immediately before the Effective Date of Termination of this Agreement; and (ii) if termination occurs before Franchisee has operated its Franchised Studio for at least 36 complete Calendar Months, Liquidated Damages shall be equal to the product of 36 times the average Royalty Fees and Brand Development Creative Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, during the period since the Opening Date. In each case, the amount of Liquidated Damages shall not be reduced by any claims that Franchisee may have for set off or otherwise. Furthermore, the Liquidated Damages calculation shall not be affected by the fact that during the calculation period Royalty Fees and Brand Development Creative Fees may not have been paid by Franchisee or were forgiven, setoff, or waived by Company for any reason. The parties acknowledge and agree that the method for calculating Liquidated Damages represents the parties' reasonable endeavor to estimate a fair average compensation for Company's loss due to Franchisee's material breach and their decision to provide for Liquidated Damages spares both parties the cost and inconvenience of having to prove Company's actual damages. Franchisee agrees that the availability of Liquidated Damages shall not preclude Company from obtaining Provisional Remedies in order to enforce the provisions of this Agreement pertaining to Franchisee's use of the Marks or to prevent conduct that does, or threatens to, harm the reputation or goodwill of the Marks.

I. Punitive or Exemplary Damages. Company and Franchisee, on behalf of themselves and their respective Affiliates, directors, officers, shareholders, members, managers, guarantors employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

J. Attorneys' Fees. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

K. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Franchisee, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

L. Waiver of Class Action Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide, basis.

XXIII. REPRESENTATIONS OF FRANCHISEE.

Franchisee understands and agrees and represents to Company, to induce Company to enter into this Agreement, that:

A. Acceptance of Conditions. Franchisee has read this Agreement and Company's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's standards of service and quality and to protect and preserve Company's rights in the Pilates ProWorks® System and the goodwill of the Licensed Marks.

B. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Pilates ProWorks® System may evolve and change over time and that Company may impose change to the Pilates ProWorks® System that Company believes, in its sole discretion, will benefit Pilates ProWorks® Studios generally and strengthen consumer awareness of, and confidence in, the Licensed Marks. Franchisee is aware that Company cannot predict the nature of future changes to the Pilates ProWorks® System or the amount of Franchisee's future investment to adopt future changes

C. No Representations: Status of Franchisee.

1. By executing this Agreement, Franchisee represents and warrants that no person acting on Company's behalf has made any representations or promises to Franchisee that are not contained in this Agreement, including, without limitation, representations or promises about actual or potential sales, earnings, gross profits or net profits that Franchisee can expect to earn. No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to

statements made in the Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

2. The person executing this Agreement as, or on behalf of, Franchisee, and each Primary Owner is a United States citizen or a lawful resident alien of the United States.

3. If Franchisee is a Business Entity, Franchisee understands that it is a material obligation of this Agreement that it remain duly organized and in good standing for as long as this Agreement is in effect and it owns the franchise rights.

4. All financial and other information provided to Company in connection with Franchisee's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

D. Success of Franchised Studio. Franchisee understands and agrees that owning the Franchised Studio involves business risks and the success of the Franchised Studio will depend primarily on Franchisee's investment of time, capital and personnel, the business abilities and experience of Franchisee's management, Franchisee's local marketing efforts, the desirability of the Approved Location in Franchisee's local market, local demographic factors, and other factors beyond Company's or Franchisee's control including, without limitation, climate and weather conditions, local competition, consumer preferences, inflation, labor costs, prevailing economic conditions and similar types of market conditions, which may change over time and are difficult to anticipate. Franchisee is not entering into this Agreement based upon any express or implied guaranty or assurance that the Franchised Studio at the Approved Location will be successful or profitable.

E. Anti-Terrorism Representations. Franchisee represents that none of Franchisee's assets are currently subject to being blocked under, and Franchisee is not otherwise in violation of Applicable Law including, without limitation, Anti-Terrorism Laws. Additionally, Franchisee agrees to comply with and assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws. Any violation of, or "blocking" of assets under, any Anti-Terrorism Laws will constitute a breach of this Agreement and grounds for immediate termination without an opportunity to cure. Any violation of, or "blocking" of assets under, any Anti-Terrorism Laws shall constitute a material breach of this Agreement and grounds for immediate termination without an opportunity to cure.

XXIV. MISCELLANEOUS

A. Notices.

1. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given if property addressed on the earlier of (i) the date when delivered by hand; (ii) the date when delivered by e-mail if confirmation of transmission is received or can be established by the sender; (iii) one business day after delivery to a reputable national overnight delivery service; or (iv) 5 days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. A "business day" means weekdays only, excluding Saturdays, Sundays and holidays. Notices shall be directed to the address shown in **Schedule C** for the party and its representative. Either party may change its address for receiving notices by giving appropriate written notice to the other. All communications required or permitted to be given by a party in

writing may be given electronically to the party's designated e-mail address in **Schedule C** or as subsequently changed by appropriate written notice.

2. All payments and reports required to be delivered to Company shall be directed to Company at the above address or to an electronic address or account otherwise designated by Company. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Company on the date it is due shall be deemed delinquent.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Waiver. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's right to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy. Company's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Franchisee of any term, covenant or condition of this Agreement.

D. Section Headings: Language. The Section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. The term "Franchisee" as used herein is applicable to one or more persons or Business Entities if the interest of Franchisee is owned by more than one, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or Business Entity not a party hereto.

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

F. Validity; Conformity With Applicable Law. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement. If the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Law, such provisions shall be deemed to be automatically amended to conform them to the provisions of Applicable Law. If any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the provision may be modified by a mediator or court so that it may be enforced to the fullest extent permissible under the choice of law adopted by this Agreement or other Applicable Law.

G. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by Company and Franchisee.

H. Withholding of Consent; Company's Business Judgment.

1. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Franchisee, Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee in Company's sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be evidenced by a writing signed by Company's duly authorized representative unless this Agreement expressly states otherwise.

2. The parties recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Company to take (or refrain from taking) certain actions in its sole discretion and other actions in the exercise of its reasonable business judgment. Where this Agreement expressly requires that Company make a decision based upon Company's reasonable business judgment, Company is required to evaluate the overall best interests of all Pilates ProWorks® Studios and Company's own business interests. If Company makes a decision based upon its reasonable business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Company. The fact that a mediator or judge might reach a different decision than the one made by Company is not a basis for finding that Company made its decision without the exercise of reasonable business judgment. Company's duty to exercise reasonable business judgment in making certain decision does not restrict or limit Company's right under this Agreement to make other decisions based entirely on Company's sole discretion as permitted by this Agreement. Company's sole discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision.

I. Complete Agreement. This Agreement, including all exhibits attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. However, nothing in this Agreement or any related agreement is intended to disclaim the Company's representations made in the Franchise Disclosure Document.

J. Covenant and Condition. Each provision of this Agreement performable by Franchisee shall be construed to be both a covenant and a condition.

K. Consent of Spouse. If Franchisee enters into this Agreement in their individual capacity, Franchisee's spouse shall execute a Consent of Spouse in the form of **Schedule D**. If

Franchisee is a Business Entity, the spouse of each Primary Owner shall execute a Consent of Spouse in the form of **Schedule D**.

L. Submission of Agreement. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Company and Franchisee.

M. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

N. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

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

Company:	Franchisee:
PPW Franchising, LLC	______________________________
By: ______________________	By: ______________________
Name: ____________________	Name: ____________________
Title: _____________________	Title: _____________________

SCHEDULE A

APPROVED LOCATION AND PROTECTED AREA

The street address of the Approved Location is as follows:

____

The Protected Area consists of the geographic area which is described below and/or shown in the map attached to this **Schedule A**:

____

____

____

Dated: ________________________________

Company:	Franchisee:
PPW Franchising, LLC	________________________________
By: ____________________________	By: ____________________________
Name: __________________________	Name: __________________________
Title: ___________________________	Title: ___________________________

SCHEDULE B

PERSONAL GUARANTY

SCHEDULE C

ADDRESSES FOR NOTICE

TO: COMPANY	TO: Franchisee
Taylor Carter, President PPW Franchising, LLC 234 Bush Street San Francisco, CA 94104 taylor@pilatesproworks.com	____________________ ____________________ ____________________ ____________________ ____________________ ____________________ ____________________
WITH A COPY TO:	**WITH A COPY TO:**
Rochelle B. Spandorf, Esq. Davis Wright Tremaine LLP 865 South Figueroa Street, Suite 2400 Los Angeles, California 90017 rochellespandorf@dwt.com	____________________ ____________________ ____________________ ____________________ ____________________ ____________________

SCHEDULE D

SPOUSAL CONSENT

The undersigned is the spouse of _________________________________,

☐ The party identified as "Franchisee" in that certain Franchise Agreement dated __________________________ ("Franchise Agreement") by and between Pilates ProWorks® Franchising LLC ("Company") and Franchisee.

☐ ____________________, a Primary Owner who has entered into a Personal Guaranty of the obligations of __________________________, the Franchisee under that certain Franchise Agreement dated __________________________ ("Franchise Agreement") by and between Pilates ProWorks® Franchising LLC ("Company") and Franchisee.

I hereby give my consent to my spouse's execution of the Franchise Agreement, Presonal Guaranty, or both, depending on the box or boxes that I have marked off, and I agree that the actions and the obligations undertaken by my spouse under the referenced contract(s) shall be binding on the marital community and any interest I may have in any rights awarded to my spouse.

I declare that I have had the opportunity to request a copy of, and fully and carefully read, the Franchise Agreement, Presonal Guaranty, or both, depending on the box or boxes that I have marked off, and have furthermore had the opportunity to seek the advice of independent counsel with respect to this Consent.

Dated: _________________________

Signature of Spouse: ____________________________

Print Name:_________________________

EXHIBIT D

LEASE ADDENDUM

PPW FRANCHISING, LLC
ADDENDUM ("Addendum") TO LEASE
DATED _______________________ ("Lease")

BY AND BETWEEN ____ ("Landlord")

AND ____ ("Tenant or Franchisee")

RE: RIGHTS OF PPW FRANCHISING, LLC. ("Company")

1. WHEREAS, Company and Tenant are parties to a certain Franchise Agreement dated _______________ (the "Franchise Agreement"), pursuant to which Company has granted Franchisee a franchise and license to use the Pilates ProWorks® Intellectual Property to own and operate a Pilates ProWorks® Studio on the terms and conditions stated in the Franchise Agreement; and

2. WHEREAS, Company has approved Franchisee's request to locate its Pilates ProWorks® Studio in certain premises ("Premises") owned by Landlord which is the subject of the Lease attached hereto as **Schedule A** ("Lease") on the condition that all of the conditions and agreements set forth in this Addendum are made a part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. <u>Definitions</u>. All capitalized terms that are not defined in this Addendum shall have the same meaning given to them in the Franchise Agreement and the parties hereby expressly incorporate those definitions as part of this Addendum by this reference.

B. <u>Assignment of Lease Subject to Conditions Subsequent</u>. Franchisee irrevocably assigns and transfers to Company all of Franchisee's right, title, and interest in and to the Lease and all options contained therein subject to the conditions in this Addendum. This assignment may not be revoked without the prior written consent of Company. The parties acknowledge that, until Company accepts the assignment made by Franchisee, Company has no express or implied obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Company's signature below does not create or impose any express or implied obligations upon Company.

C. <u>Use of Property</u>. The Premises shall be used solely for the operation of a Pilates ProWorks® Studio. Franchisee and Landlord agree that Company may enter the Premises at any time to inspect Franchisee's operations and compliance with the Franchise

Agreement and engage in all activities expressly permitted by the Franchise Agreement without being guilty of trespass.

D. Default in Franchise Agreement. Franchisee's default under the Franchise Agreement for any reason shall in and of itself constitute an event of default under the Lease, which can only be cured if the default under the Franchise Agreement is timely cured by Franchisee.

E. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Franchisee with such notice.

F. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum in, and make it part of, the Lease.

G. Default by Franchisee. With respect to any defaults under the Lease other than a default that is solely based on Franchisee's breach of the Franchise Agreement, Landlord agrees not to terminate the Lease based on Franchisee's breach or default until it has given Company written notice identifying the breach or default and at least ten (10) days to cure the breach or default. If Company chooses not to cure the breach or default, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Company.

H. Acceptance of Assignment by Company. Company may accept the assignment of the Lease at any time before the Lease expires if: (a) Company terminates the Franchise Agreement for any reason, or (b) Franchisee loses the right to occupy the Premises for any reason other than due to the expiration of the Lease or the condemnation or destruction of the Premises on the terms stated in the Lease. To accept the assignment, Company must give written notice to Landlord and cure any breach of default by Franchisee under the Lease for which Landlord has given Company prior written notice as required by this Addendum. Company shall have complete recourse against Franchisee for any money or other legal consideration that Company gives to Landlord to cure Franchisee's breach or default under the Lease.

I. Company's Rights As Assignee of Lease. If Company complies with the requirements of this Addendum and accepts the assignment, at Company's election, from and after the date of acceptance: (i) Company shall have all of the rights of Franchisee under the Lease and Franchisee shall be deemed to be a sublessee of Company on the terms and conditions contained in this Lease; (ii) Company shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Pilates ProWorks® franchisee without Landlord's prior consent; and (iii) Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date of Company's acceptance of the assignment and, other than curing any breach or default by Franchisee for which Landlord has given Company prior written notice as required by this Addendum, Company shall have no liability for obligations arising under the Lease before the date of Company's acceptance of the assignment.

J. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (a) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (b) amend the Lease without Company's prior written consent.

K. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or 4 days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Company: **PPW FRANCHISING, LLC.**
234 Bush Street
San Francisco, California 94104
Attention: Taylor Carter, President

Landlord: ________________________
____
____

Tenant: ________________________
____
____

Any party may change its address for receiving notices by appropriate written notice to the other.

L. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party. Any capitalized term which is not expressly defined in this Addendum shall have the same meaning assigned to the term in the Franchise Agreement.

M. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OR INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

N. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of _______________________, ______.

COMPANY:	PPW FRANCHISING, LLC.
	By: ______________________________
	______________________________
LANDLORD:	______________________________
	By: ______________________________
FRANCHISEE:	______________________________
	By: ______________________________

SCHEDULE A
[Attach copy of proposed Lease]

EXHIBIT E

GENERAL RELEASE

GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this _____day of ___________, _____, by ("Releasor"), with reference to the following facts:

A. The undersigned, Releasor:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

1. ☐ is the Franchisee under, and signatory to, a Franchise Agreement entered into by and between PPW Franchising, LLC ("Company") and Releasor (who is identified in the Franchise Agreement as Franchisee), permitting Releasor to use the Pilates ProWorks® System and Licensed Marks to operate a Pilates ProWorks® Studio on the terms of the Franchise Agreement.

2. ☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of the party identified as "Franchisee" in the Franchise Agreement.

B. This Release is being executed pursuant to the requirements of the Franchise Agreement as a condition of the rights granted by Company to Franchisee, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. <u>GENERAL RELEASE</u>

Releasor, for itself, himself or herself, and, if applicable, additionally, for Releasor's Affiliates, if any, and for each of their respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (Releasor and such other persons are collectively referred to as the "Releasing Parties"), hereby release and forever discharge Company, Company's Affiliates, and their respective officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns (collectively the "Released Parties"), and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release. The terms, "Company's Affiliates" and "Releasor's Affiliates," respectively include every entity that controls, is controlled by, or is under common control with Company or Releasor.

2. WAIVER OF CIVIL CODE SECTION 1542

This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties' relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

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

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release and that it he or she is entering into this Release on the advice of independent counsel.

3. DISPUTE RESOLUTION. Releasor agrees to be bound by the dispute resolution provisions attached as **Schedule A** to this Release, which are incorporated herein by this reference.

4. RELEASE NOT ADMISSION. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Company or Company or an admission of the validity of any claims made by or against Company or Company.

5. AUTHORITY OF PARTIES. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

6. INDEPENDENT INVESTIGATION. Releasor represents and warrants that Releasor has read and fully understand the terms and conditions of this Release and has had an opportunity to seek the advice of independent legal counsel before executing this Release.

7. NO PRIOR ASSIGNMENTS. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

8. DEFINITIONS. All capitalized terms used in this Release that are not defined in the body of this Release shall have the same meaning assigned to them in the Franchise Agreement, and the parties hereby incorporate those definitions by reference.

9. FURTHER ASSURANCES. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

RELEASOR:

____
[IF APPLICABLE]

By:____________________________

Its:____________________________

Company executes this Release to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

PPW FRANCHISING, LLC.

By:____________________________

Title:__________________________

Date:__________________________

SCHEDULE A

DISPUTE RESOLUTION

1. AGREEMENT TO MEDIATE DISPUTES. Except as provided in this Agreement, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(a) The mediation shall be conducted pursuant to the rules of JAMS ("the Mediation Service"). Either party may initiate the mediation (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Releasor is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by Applicable Law.

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

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential.

Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(h) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action, to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

2. EXCEPTIONS TO DUTY TO MEDIATE DISPUTES.

(a) The obligation to mediate shall not apply to any disputes, controversies or claims (i) where the monetary relief sought is under $10,000, (ii) in which Company seeks to enforce its rights under any Addendum to Lease, or (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(b) Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies, whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security

3. JUDICIAL RELIEF.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters at the time or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of San Francisco and the United States District Court of the Northern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the

parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this Section and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Law, Releasor waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents or property arising out of or relating to this Agreement except in the courts identified in this Section.

4. EXPEDITED DISCOVERY. In connection with any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

5. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR RELEASOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PILATES PROWORKS® SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

6. CHOICE OF LAW. Except as otherwise provided in this Agreement with respect to the possible application of Local Laws, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

7. LIMITATIONS PERIOD. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction which constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation which is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

8. PUNITIVE OR EXEMPLARY DAMAGES. Company and Releasor, on behalf of themselves and their respective Affiliates, directors, officers, shareholders, members, managers, guarantors, employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

9. ATTORNEYS' FEES. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

10. WAIVER OF COLLATERAL ESTOPPEL. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Releasor therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Releasor, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Releasor. Company and Releasor therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

11. WAIVER OF CLASS ACTION RELIEF. Company and Releasor agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide basis.

EXHIBIT F

PERSONAL GUARANTY

PERSONAL GUARANTY

THIS GUARANTY AGREEMENT ("Agreement") is made as of _________________________, by____________, an individual ("Guarantor") in favor of PPW FRANCHISING, LLC, a Delaware Limited Liability Company (the "Company"), subject to the following recitals:

RECITALS

A. Guarantor's entity, ______________________ ("Debtor") has applied to purchase the right to develop one or more Pilates ProWorks® Studios on the terms of the contracts (collectively referred to as the "Contracts") attached to Company's Franchise Disclosure Document ("FDD").

B. Debtor is a business entity other than a partnership duly organized under the laws of the State of ____________________.

C. When a franchisee or applicant seeking to purchase franchise rights is a business entity other than a partnership, Company requires that each person owning 20% or more of the equity or voting interests of the business entity execute a copy of this Agreement, agreeing to personally guaranty the business entity's obligations under each one of the Contracts for the benefit of Company.

D. Guarantor represents that he/she is one of the individuals identified on **Schedule A**, which lists all of the owners of Debtor, and that Guarantor owns, either legally or beneficially, 20% or more of the equity or voting interests of Debtor.

NOW, THEREFORE, in order to induce Company to enter into one or more of the Contracts with Debtor, Guarantor covenants and agrees with Company as follows:

Section 1. Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company's Affiliates the full and punctual payment and performance of all present and future amounts, liabilities and obligations of Debtor to Company, Company's Affiliates, or to any successor or transferee thereof under each of the Contracts entered into by and between Debtor and Company. Guarantor's agreement shall apply regardless of whether the amounts, liabilities or obligations are liquidated or unliquidated, now exist or arise after the date of this Agreement, or consist of principal, interest, delinquency charges, costs, attorney's fees or other kinds of fees or obligations under the Contracts as they may be amended by Debtor and Company from time to time (collectively, the "Indebtedness").

b. The term, "Company's Affiliates" include every business entity that controls, is controlled by, or is under common control with Company.

c. Payments made on the Indebtedness will not discharge or diminish the obligations and liability of Guarantor under this Agreement for any remaining and succeeding Indebtedness.

d. The guarantee provided for in this Agreement is an absolute, unconditional, continuing guarantee of payment and is in no way conditioned upon or limited by:

(i) any attempt to collect from Debtor; (ii) any attempt to collect from, or the exercise of any rights and remedies against, any person other than Debtor who may at any time now or hereafter be primarily or secondarily liable for any or all of the Indebtedness, including, without limitation, any other maker, endorser, surety, or guarantor of all or a portion of the Indebtedness; or (iii) any resort or recourse to or against any security or collateral now or hereafter pledged, assigned, or granted to Company under the provisions of any instrument or agreement or otherwise assigned or conveyed to it.

e. If Debtor fails to pay any of the Indebtedness, when and as the same shall become due and payable (whether by acceleration, declaration, extension or otherwise), Guarantor shall on demand pay the same to Company in immediately available funds, in lawful money of the United States of America, at its address specified in or pursuant to this Agreement.

Section 2. Solidary Obligation.

Guarantor hereby binds and obligates Guarantor and Guarantor's heirs, successors and assigns in solido with Debtor for the full and punctual payment and performance of all of the Indebtedness precisely as if the same had been contracted and were due and owing by Guarantor personally.

Section 3. Obligations Absolute.

a. The obligations and liabilities of Guarantor under this Agreement (i) are primary obligations of Guarantor, (ii) are continuing, absolute, and unconditional, (iii) shall not be subject to any counterclaim, recoupment, set-off, reduction, or defense based upon any claim that Guarantor may have against Debtor, (iv) are independent of any other guaranty or guaranties at any time in effect with respect to all or any part of the Indebtedness, and (v) may be enforced regardless of the existence of another guaranty or guaranties.

b. The obligations and liabilities of Guarantor under this Agreement shall not be affected, impaired, lessened, modified, waived or released by the invalidity or unenforceability of the Indebtedness or any ancillary or related document, or by the bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or the sale or other disposition of all or substantially all of the assets of Debtor.

c. Guarantor hereby consents that at any time and from time to time, Company may, without in any manner affecting, impairing, lessening, modifying, waiving or releasing Guarantor's obligations or liabilities under this Agreement, do any one or more of the following, all without notice to, or further consent of, Guarantor:

(1) renew, extend or otherwise change the time or terms for payment of the principal of, or interest on, any of the Indebtedness or any renewals or extensions thereof;

(2) extend or change the time or terms for performance by Debtor of any other obligations, covenants or agreements;

(3) amend, compromise, release, terminate, waive, surrender, or otherwise deal with: (i) any or all of the provisions of the Indebtedness, (ii) any or all of the obligations and liabilities of Debtor or Guarantor, or (iii) any or all property or other security given at any time as collateral by Guarantor or Debtor;

(4) sell, assign, collect, substitute, exchange or release any or all property or other security now or hereafter serving as collateral for any or all of the Indebtedness;

(5) receive additional property or other security as collateral for any or all of the Indebtedness;

(6) fail or delay to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the provisions of any Indebtedness or under applicable laws;

(7) grant consents or indulgences or take action or omit to take action under, or in respect of, the Indebtedness; and

(8) apply any payment received from Debtor or from any source, other than Guarantor, to the Indebtedness in whatever order and manner Company may elect, and any payment received, Guarantor for or on account of this Agreement may be applied by Company to any of the Indebtedness in whatever order and manner Company may elect.

Section 4. Waiver by Guarantor.

Guarantor unconditionally waives, to the extent permitted by applicable laws:

a. notice of acceptance of and reliance on this Agreement or of the creation of the Indebtedness;

b. presentment, demand, dishonor, protest, notice of non-payment and notice of dishonor of the Indebtedness;

c. notice of transfer or assignment of the Indebtedness and this Agreement; and

d. all notices required by statute or otherwise to preserve any rights against Guarantor hereunder, including, without limitation, any demand, proof, or notice of non-payment of any of the Indebtedness by Debtor and notice of any failure or default on the part of Debtor to perform or comply with any term of the Indebtedness.

Section 5. Subrogation.

Until such time as the Indebtedness has been paid and performed in full and the provisions of this Agreement are no longer in effect, Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor nor any right to subrogation, reimbursement or indemnity against any property or other security serving at any time as collateral for any or all of the Indebtedness, all of which rights of subrogation, reimbursement, contribution and indemnity Guarantor subordinates to the full and punctual payment and performance of the Indebtedness.

Section 6. Subordination.

Should Guarantor for any reason advance or lend monies to Debtor, whether or not the funds are used by Debtor to reduce the Indebtedness, Guarantor hereby agrees that any and all rights that Guarantor may have or acquire to collect from, or be reimbursed by, Debtor shall be subordinate to the rights of Company to collect and enforce the payment and performance of the Indebtedness, until such time as the Indebtedness has been fully paid and performed and the provisions of this Agreement are no longer in effect.

Section 7. Remedies.

Upon Debtor's failure to pay or perform any of the Indebtedness when due (whether by acceleration or otherwise), Company, subject to the provisions of this Agreement, may institute a judicial proceeding for the collection of the sums or the performance of the Indebtedness so due and unpaid or unperformed, and may prosecute the proceeding to judgment for final decree, and may enforce the same against Guarantor and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Guarantor, wherever situated. In the event of Debtor's failure, Company shall have the right to proceed first and directly against Guarantor without proceeding against Debtor or any other person, without exhausting any other remedies which it may have and without resorting to any other security held by Company. Debtor's alleged reason or excuse for failing to pay or perform any of the Indebtedness when due shall not limit or restrict Company's enforcement of its rights arising under this Agreement.

Section 8. Enforcement Expenses.

Guarantor agrees to indemnify and hold Company harmless against any loss, liability, or expense, including their reasonable attorney's fees, accounting fees and other costs and disbursements that may result from Debtor's failure to pay or perform any of the Indebtedness when and as due and payable or that may be incurred in enforcing any obligation of Debtor or Guarantor.

Section 9. Notices.

All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. Notices shall be addressed in the manner shown on Exhibit A, provided either party may change its address for receiving notices by appropriate written notice to the other.

Section 10. Amendment.

Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally or in any manner other than by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 11. Waivers.

No course of dealing on the part of Company, its officers, employees, consultants or agents, nor any failure or delay by Company with respect to exercising any of rights, powers or privileges under this Agreement shall operate as a waiver thereof.

Section 12. Cumulative Rights.

The rights and remedies of Company under this Agreement, the Indebtedness and any ancillary or related document shall be cumulative, and the exercise or partial exercise of any Company's rights or remedies shall not preclude the exercise of any other right or remedy which Company may have under applicable law.

Section 13. Titles of Articles, Sections and Subsections.

All titles or headings to articles, sections, subsections or other divisions of this Agreement are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to interpreting the content of such articles, sections, subsections or other divisions, such other content being controlling as to the intent and agreement of the parties to this Agreement.

Section 14. Definitions; Singular and Plural.

Unless specifically defined in this Agreement, all capitalized terms in this Agreement shall have the same meaning assigned to them in the Franchise Agreement to be entered into by and between Debtor and Company. Words used in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words used in the singular shall also apply to the words when used in the plural and vice versa.

Section 15. Dispute Resolution.

The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule B**.

Section 16. Successors and Assigns.

a. All covenants and agreements by or on behalf of Guarantor in this Agreement shall bind Guarantor's heirs, successors and assigns and shall inure to the benefit of Company and its successors and assigns.

b. This Agreement is for the benefit of Company and for any other person or persons as may from time to time become or be the holders of any of the Indebtedness, and this Agreement shall be transferable and negotiable, with the same force and effect and to the same extent as the Indebtedness may be transferable, it being understood that, any holder of the Indebtedness shall have all of the rights of such granted to Company under this Agreement upon the transfer of the Indebtedness to the holder.

Section 17. Further Assurances

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[Signature page immediately follows.]

IN WITNESS WHEREOF, Guarantor has caused this Agreement to be duly executed as of the date first written above.

GUARANTOR: By:______________________________

Date:__________________________ Print Name:__________________________

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule B**.

COMPANY: PPW FRANCHISING, LLC.

Date:__________________________ By:______________________________

Print Name:__________________________

Title:______________________________

SCHEDULE A

All of the following provisions are incorporated by reference into the attached documents:

Ownership of Debtor

Name	*Address*	*Percentage of Ownership*
Total		**100%**

Notices

Debtor: ___________________________________
____
____
Attn: ______________________________

Guarantor: ___________________________________
____
____
Attn: ______________________________

Company: PPW FRANCHISING, LLC.
234 Bush Street
San Francisco, California 94104

Fax: _________________
Attn: Taylor Carter, President

SCHEDULE B

DISPUTE RESOLUTION

1. AGREEMENT TO MEDIATE DISPUTES. Except as provided in this Agreement, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(a) The mediation shall be conducted pursuant to the rules of JAMS ("the Mediation Service"). Either party may initiate the mediation (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Guarantor is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by Applicable Law.

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

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential.

Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(h) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action, to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

2. EXCEPTIONS TO DUTY TO MEDIATE DISPUTES.

(a) The obligation to mediate shall not apply to any disputes, controversies or claims (i) where the monetary relief sought is under $10,000, (ii) in which Company seeks to enforce its rights under any Addendum to Lease, or (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(b) Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies, whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security

3. JUDICIAL RELIEF.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters at the time or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of San Francisco and the United States District Court of the Northern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the

parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this Section and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Law, Guarantor waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents or property arising out of or relating to this Agreement except in the courts identified in this Section.

4. EXPEDITED DISCOVERY. In connection with any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

5. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR GUARANTOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PILATES PROWORKS® SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

6. CHOICE OF LAW. Except as otherwise provided in this Agreement with respect to the possible application of Local Laws, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

7. LIMITATIONS PERIOD. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction which constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation which is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

8. PUNITIVE OR EXEMPLARY DAMAGES. Company and Guarantor, on behalf of themselves and their respective Affiliates, directors, officers, shareholders, members, managers, guarantors, employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

9. ATTORNEYS' FEES. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

10. WAIVER OF COLLATERAL ESTOPPEL. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Guarantor therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Guarantor, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Guarantor. Company and Guarantor therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

11. WAIVER OF CLASS ACTION RELIEF. Company and Guarantor agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide basis.

EXHIBIT G

CONFIDENTIALITY AGREEMENT

PilatesProWorks

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT ("AGREEMENT")

Effective Date of this Agreement: ____________________________________

WHEREAS, the undersigned:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

1. ☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of ______________________________________, the Franchisee under, and signatory to, one or more Franchise Agreements (each the "Franchise Agreement") entered into with PPW Franchising, LLC ("Company") granting Franchisee the right to own and operate a Pilates ProWorks® Studio on the terms and conditions stated in the Franchise Agreement.

2. ☐ is an employee of ____, the individual who executed the Franchise Agreement as Franchisee.

3. ☐ is a "PPW Certified Instructor" as that term is defined in the Franchise Agreement.

4. ☐ is associated in the following capacity with Franchisee named above in the following capacity: _________________________________.

WHEREAS, the undersigned acknowledges that based on the undersigned's relationship to Franchisee, the Franchise Agreement requires that Franchisee cause the undersigned to agree to be bound by the restrictions in this Agreement.

NOW, THEREFORE, the undersigned, having read this Agreement and understanding its terms, hereby agrees as follows:

TERMS AND CONDITIONS

1. DEFINITIONS.

For purposes of this Agreement, in addition to capitalized terms used in the body of this Agreement, the parties adopt by reference the definitions in the Franchise Agreement and hereby incorporate those definitions by reference. The undersigned represents that it has had the opportunity to review a copy of the Franchise Agreement and is familiar with all relevant definitions that are incorporated by reference into this Agreement.

2. Nondisclosure of Confidential Information.

a. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Confidential Information that the undersigned learns or discovers to any other person, firm or entity, unless authorized in writing by Company.

b. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned's work product. To the extent the undersigned has assisted in the preparation of anything the Company considers Confidential Information or has prepared or created such information by himself or herself, the undersigned hereby assigns any rights that he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

c. The undersigned acknowledges that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by the undersigned.

d. The provisions of this Section shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

e. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided the undersigned shall have used its best efforts, and shall have afforded Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

f. The parties agree that Confidential Information does not include (i) information that Franchisee can demonstrate lawfully came to its attention independent of entering into this Agreement and not as a result of Franchisee's wrongful disclosure (whether or not deliberate or inadvertent), or (ii) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of wrongful disclosure by the undersigned or any other person on behalf of the undersigned, whether or not the wrongful disclosure is deliberate or inadvertent.

3. Agreements re: Exercise Scripts and Music.

a. If the undersigned is associated with Franchisee in a way that causes the undersigned to qualify as a Covered Person as defined in the Franchise Agreement, the undersigned agrees that, after the restrictions against competition applicable to the undersigned end, and for as long as there is any PPW Studio operating anywhere in the world, the undersigned shall not use the same or similar exercise scripts or music as Company includes in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.

b. If the undersigned is associated with Franchisee in a capacity that does not qualify the undersigned as a Covered Person, the undersigned agrees that for as long as there is any PPW Studio operating anywhere in the world, the undersigned shall not use the same or similar exercise scripts or music as Company includes in Pilates ProWorks® fitness classes to teach fitness classes anywhere else in the world if the overall impression of the classes taught elsewhere is substantially similar to classes offered by PPW Studios.

c. The undersigned acknowledges that the restrictions in this Section shall continue to apply to the undersigned for as long as there is any PPW Studio operating anywhere in the world even after the undersigned ends its association with Franchisee and after the restrictions against competition applicable to a Covered Person end.

4. Return of Proprietary Materials.

Upon expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating or concerning any Confidential Information. The undersigned expressly acknowledges that such materials shall be and remain the sole property of Company.

5. Agreements Regarding Competition

a. The agreements regarding competition in this Section apply to the undersigned only if the undersigned is a Covered Person as that term is defined in the Franchise Agreement.

b. For as long as Franchisee is a party to any Franchise Agreement with Company, the undersigned agrees that he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not continue to apply to the undersigned after 2 years from the date the undersigned directly and indirectly in any capacity whatsoever has finally and completely ceased to occupy a position, perform functions or maintain a relationship that would cause the undersigned to be classified as a Covered Person.

c. For a period of 2 years after the Effective Date of Termination or Expiration of the last Franchise Agreement between Franchisee and Company (if Franchisee and Company are, or become, parties to more than one Franchise Agreement), or after an Event of Transfer that results in Franchisee selling and assigning all of its contractual rights concerning all Pilates ProWorks® Studios for which Franchisee owns a franchise, the undersigned as a Covered Person agrees that it shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located anywhere within 5 miles of the Approved Location or any other Pilates ProWorks® Studio anywhere in the world that is open for business on or after the Effective Date of Termination or Expiration of the last Franchise Agreement or the effective date of an Event of Transfer that results in Franchisee selling and assigning all of its contractual rights concerning all Pilates ProWorks® Studios for which Franchisee owns a franchise; provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after 2 years from the date the undersigned directly and indirectly in any capacity whatsoever has finally and completely ceased to occupy a position, perform functions or maintain a relationship that would cause the undersigned to be classified as a Covered Person.

d. The provisions of this paragraph 4 shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

e. This Agreement does not prohibit the undersigned from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

f. If any of this paragraph 4 is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of any state having jurisdiction over the undersigned (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement regarding competition, but only with respect to the subjects covered in this paragraph 4.

g. The parties acknowledge that the undersigned may engage in any activities not expressly prohibited by this Agreement. However, in connection with permitted activities, the undersigned shall not (i) use the Confidential Information or any of the proprietary marks, if any; (ii) engage in any conduct or activity which suggests or implies that Company endorses, or authorizes, the undersigned's activities; (iii) induce any person to engage in conduct prohibited by this Agreement; or (iv) divert customers away from any Pilates ProWorks® Studio.

6. Interference.

The undersigned agrees not to, directly or indirectly, for itself or on behalf of any other person, divert, or attempt to divert, any business or customer of any of the Pilates ProWorks® Studio to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the Pilates ProWorks® System.

7. Irreparable Harm to Company.

a. The undersigned acknowledges and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if it discloses or misuses any Confidential Information or if the undersigned breaches the other covenants set forth in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted.

b. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

8. Survival.

The agreements made by the undersigned shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

9. Validity; Conformity With Applicable Law.

Wherever possible, each provision of this Agreement shall be interpreted in a manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited thereunder, the provision shall be ineffective only to the extent of the prohibition or invalidity without invalidating the remainder of this Agreement.

10. Dispute Resolution.

The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in Schedule A attached hereto.

11. Miscellaneous.

a. Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing executed by Company in order to be effective and shall only be effective to the extent specifically allowed in such writing. No waiver granted by Company shall constitute a continuing waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in exercising any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

b. This Agreement sets forth the entire agreement made by the undersigned pertaining to the subject matter hereof, fully superseding any and all prior agreements or understandings that may exist between the undersigned and the Company pertaining to such subject matter. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in writing and duly executed by the undersigned and Company.

c. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

[CONTINUES ON NEXT PAGE]

12. Further Assurances.

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above.

CONTACT INFORMATION

____
____
____
____
____
____

By: ________________________

Print Name: ________________

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

PPW FRANCHISING, LLC.

By:______________________________________

Print Name:______________________________

Title:____________________________________

[CONTINUES ON NEXT PAGE]

SCHEDULE A

<u>DISPUTE RESOLUTION</u>

1. <u>AGREEMENT TO MEDIATE DISPUTES</u>. Except as provided in this Agreement, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(a) The mediation shall be conducted pursuant to the rules of JAMS ("the Mediation Service"). Either party may initiate the mediation (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Releasor is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by Applicable Law.

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

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential.

Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(h) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action, to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

2. EXCEPTIONS TO DUTY TO MEDIATE DISPUTES.

(a) The obligation to mediate shall not apply to any disputes, controversies or claims (i) where the monetary relief sought is under $10,000, (ii) in which Company seeks to enforce its rights under any Addendum to Lease, or (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(b) Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies, whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security

3. JUDICIAL RELIEF.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters at the time or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of San Francisco and the United States District Court of the Northern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the

parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this Section and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Law, Releasor waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents or property arising out of or relating to this Agreement except in the courts identified in this Section.

4. EXPEDITED DISCOVERY. In connection with any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

5. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR RELEASOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PILATES PROWORKS® SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

6. CHOICE OF LAW. Except as otherwise provided in this Agreement with respect to the possible application of Local Laws, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

7. LIMITATIONS PERIOD. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction which constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation which is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

8. PUNITIVE OR EXEMPLARY DAMAGES. Company and Releasor, on behalf of themselves and their respective Affiliates, directors, officers, shareholders, members, managers, guarantors, employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

9. ATTORNEYS' FEES. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

10. WAIVER OF COLLATERAL ESTOPPEL. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Releasor therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Releasor, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Releasor. Company and Releasor therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

11. WAIVER OF CLASS ACTION RELIEF. Company and Releasor agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide basis.

EXHIBIT H

CONFIDENTIAL MANUAL

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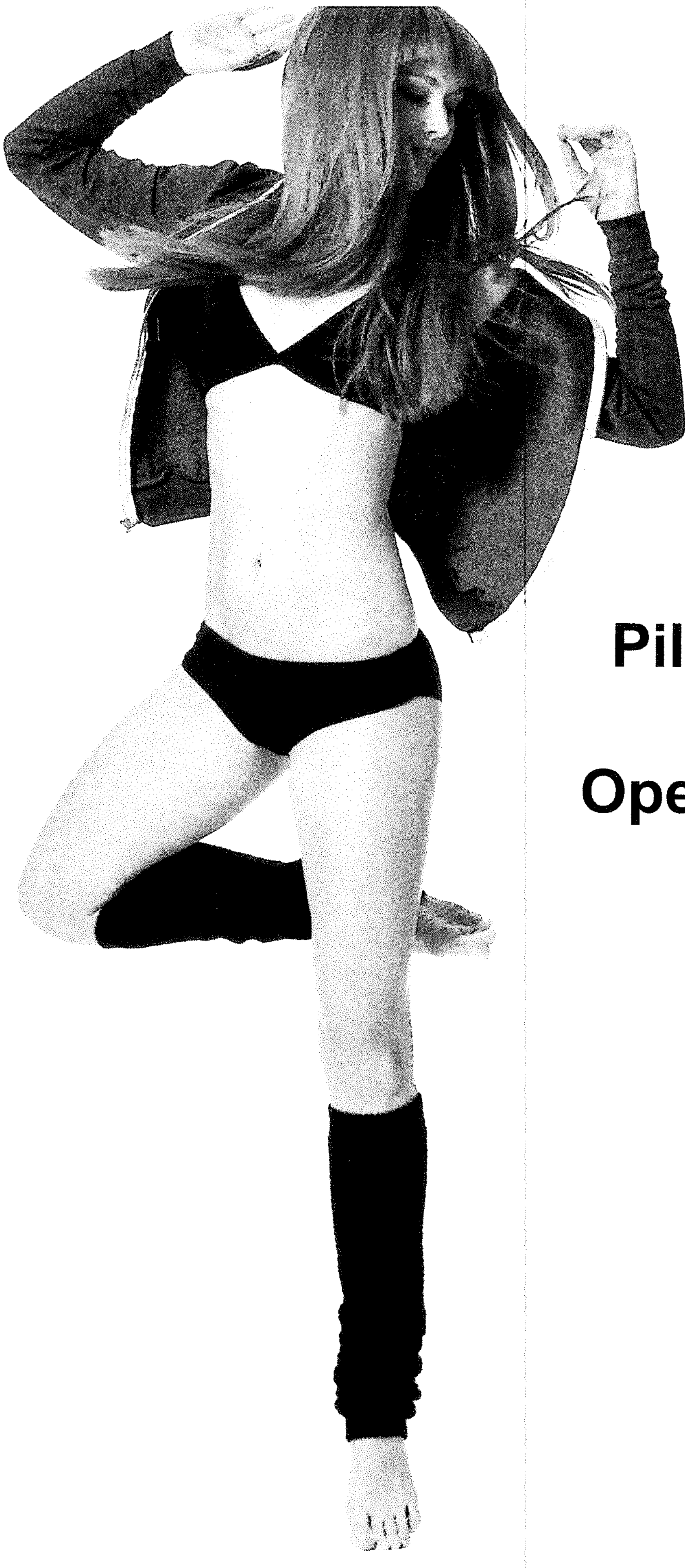

Pilates ProWorks®
Franchise
Operations Manual

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EXHIBIT I

STATE ADDENDUM AND AMENDMENT TO FRANCHISE CONTRACTS FOR CERTAIN STATES

For franchises that we sell for locations in CALIFORNIA, CONNECTICUT, GEORGIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH CAROLINA, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON and WISCONSIN, applicable state law requires us to disclose additional information. Please refer to the separate state addendum pages in this Exhibit for the additional disclosures that may apply to you.

CALIFORNIA

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

1. In addition to the information disclosed in Item 3:

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

2. In addition to the information disclosed in Item 17:

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

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

c. SECTION 31125 OF THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

d. The Franchise Agreement requires that all disagreements be resolved first by non-binding mediation, and if that process does not result in resolution, by litigation. The mediation will occur at Company's headquarters, which are presently located in San Francisco County, California or at another location proximate to Company's headquarters. The cost of mediation will be shared equally unless one party breaches the mediation provision, in which case the breaching party must pay the mediator's fees and costs, the non-breaching party's reasonable fees and costs, and to the extent permitted by law, the non-breaching party's reasonable attorney's fees and costs in any suit arising out of the same dispute even if the breaching party is the prevailing party.

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

f. The California Franchise Investment Law requires us to make the following disclosure:

(1) "YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000 THROUGH

31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043)."

(2) OUR WEBSITE IS **WWW.PILATESPROWORKS.COM**. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

g. The Franchise Agreement limits the time period within which you must commence an action against us. This provision may not be enforceable under California law.

h. The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

i. If you purchase a franchise from us for a location in California, we will defer collecting the Initial Franchise Fee from you until the Opening Date of your Pilates ProWorks Studio. When you execute the Franchise Agreement, you will also execute the First Amendment to Franchise Agreement attached to this California state addendum reflecting the deferral of the Initial Franchise Fee. The Initial Franchise Fee will be all due and payable on the Opening Date.

FIRST AMENDMENT TO FRANCHISE AGREEMENT FOR THE STATE OF CALIFORNIA

This **FIRST AMENDMENT TO FRANCHISE AGREEMENT** ("First Amendment") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of California or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in connection with the opening and operation of a Pilates ProWorks® Studio in the State of California on the terms of Company's Franchise Agreement.

B. Company and Franchisee wish to amend the provision in the Franchise Agreement specifying when the Initial Franchise Fee is due and payable.

C. All capitalized terms in this First Amendment shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties amend the due date for payment of the Initial Franchise Fee to reflect their agreement that the entire Initial Franchisee Fee shall be due and payable in full on the Opening Date of the Franchised Studio and not upon execution of the Franchise Agreement.

3. This First Amendment shall be effective only to the extent that jurisdictional requirements of the California Franchise Investment Law are met independently of and without reference to this Amendment.

[CONTINUES ON NEXT PAGE]

4. Except as amended by this First Amendment, the Franchise Agreement being executed by the parties concurrently with the parties' execution of this First Amendment shall continue in full force and effect

IN WITNESS WHEREOF parties have executed this First Amendment on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

2. Section 482E-(3) of Hawaii Revised Statutes provides that Franchisee may be entitled to certain compensation upon termination or refusal to renew the franchise. To the extent this Section is applicable to you, you shall have an interest in the franchise upon termination or refusal to renew as specified therein.

3. No release language set forth in the Franchise Agreement shall relieve Company or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Attorney General of Illinois requires us to make the following specific disclosures to prospective Illinois franchisees:

1. The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois Law 815 ILCS 705/19 and 705/20.

2. The Illinois Franchise Disclosure Act (815 ILCS Section 705/4) provides that "any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State [Illinois] is void provided that a franchise agreement may provide for arbitration in a forum outside of this State [Illinois]." .

3. In Item 17, the summary accompanying provision (w) with regard to the Franchise Agreement is supplemented by the addition of the following language at the end of the summary:

4. Notwithstanding anything to the contrary contained above, Illinois law, including the Illinois Franchise Disclosure Act of 1987 (815 ILCS 705/1 et seq.), will apply to Illinois franchisees.

5. Item 5 of the FDD and the provisions of the Franchise Agreement are amended to provide that all initial franchise fee and other initial payments that are due before the date the Franchised Studio opens for business are deferred until the initial obligations owed by Company to Franchisee have been completed and Franchisee has commenced doing business. All deferred fees and payments shall be due and payable in full within 5 days after the Opening Date. This deferral is imposed by the Illinois Attorney General based on our financial statements.

Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Franchise Agreement in the form attached to this Exhibit.

FIRST ADDENDUM TO
FRANCHISE CONTRACTS
FOR THE STATE OF ILLINOIS

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Illinois or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Illinois and the offer to purchase a franchise using the Pilates ProWorks® System was either made or is being accepted in Illinois.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Illinois law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. All initial franchise fee and other initial payments that the Franchise Agreement identifies are due and payable before the Opening Date of the Franchised Studio are deferred until Company has completed all obligations owed by Company to Franchisee where performance is required before the Opening Date and Franchisee has commenced doing business. The parties agree that all deferred fees and payments shall be due and payable in full within 5 days after the Opening Date.

3. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the Franchise Contracts which are in conflict with the Act.

4. Among other things, the parties acknowledge Section 41 of the Act, which provides: "Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the

provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

5. Illinois law shall be applied to, and govern, any claim between the parties that alleges a violation of the Act.

6. To the extent that the Franchise Contracts require or permit litigation to be brought in a forum outside of the State of Illinois, the provision shall not be effective for a Franchise Agreement entered into with an Illinois resident for a Pilates ProWorks® Studio located in Illinois.

7. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

8. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

a. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

b. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

c. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

d. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

e. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

f. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers before the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

g. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

h. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

i. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

j. Limiting litigation brought for breach of the agreement in any manner whatsoever.

k. Requiring the franchisee to participate in any (i) advertising campaign or contest; (ii) promotional campaigns; (iii) promotional materials; or (iv) display decorations or materials, in each case at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

l. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

m. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

a. Coercing the franchisee to:

(1) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(2) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(3) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement;

and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(4) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

b. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

c. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

d. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

e. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

f. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

g. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers before the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

h. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.

3. Regardless of anything set forth in the Franchise Agreement, you do not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.

5. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

6. Indiana residents and non-residents who own a franchise located in the State of Indiana will enter into the Indiana Addendum to Franchise Agreement in the form attached to this Exhibit.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF INDIANA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

D. Franchisee is a resident of the state of Indiana or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Indiana.

E. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

F. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Indiana law.

G. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties expressly agree that to the extent any provision in any of the Franchise Contracts conflicts with the Indiana Deceptive Practices Act (the "Act"), the parties hereby amend the Franchise Contracts to the extent necessary to cause the Franchise Contracts to conform with the Act.

3. The parties expressly agree that (i) no general release given by Franchisee under any of the Franchise Contracts shall operate to release, assign, waive or extinguish any liability arising under the Act; (ii) no provision in any of the Franchise Contracts shall limit Franchisee's right to sue in court for violations of the Act; (iii) no provision in any of the Franchise Contracts which is intended to prevent Franchisee from relying on any statement or representation made before Franchisee signs any of the Franchise Contracts shall be applied or extend to statements contained in the Franchise Disclosure Document delivered to Franchisee before Franchisee's execution of the Franchise Contracts; and (iv) no provision which is found to be a liquidated damages provision under Indiana law shall be enforceable against Franchisee.

4. Notwithstanding anything to the contrary contained in any of the Franchise Contracts, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

6. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following provisions amend anything to the contrary in Item 17 of the Franchise Disclosure Document:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law (the "Maryland Law").

2. Claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.

3. The provisions in the Franchise Agreement which provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

4. A general release that is required as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under Maryland Law.

The following amends the Declaration of Franchise Applicant attached as Exhibit L to the Franchise Disclosure Document:

All representations requiring a prospective franchise 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 Law.

FIRST ADDENDUM TO
FRANCHISE CONTRACTS
FOR THE STATE OF MARYLAND

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Maryland or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Maryland.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of the Maryland Franchise Registration and Disclosure Law (the "Law").

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. A general release that is required by the Franchise Contracts as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under the Law.

3. All representations requiring a prospective franchisee to assent to a release, estoppel or waiver of any liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability uncured under the Law.

4. Franchisee may bring a lawsuit in Maryland for claims arising under the Law, except for claims that are required to be submitted to arbitration.

5. The parties amend any statute of limitations period in the Franchise Contracts to provide that any claims arising under the Law must be brought within 3 years after the effective date of the Franchise Agreement.

6. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

7. The Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

DISCLOSURES REQUIRED BY MICHIGAN LAW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE FACT THAT THERE IS A NOTICE OF THIS FRANCHISE DISCLOSURE DOCUMENT ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than $100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
PO Box 30213, Lansing, MI 48909
(517) 373-7117

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For Minnesota residents and nonresidents owning a franchise to be operated in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. Company will not refuse to renew a franchise for the purpose of converting your business to an operation that will be owned by Company or one of our affiliates.

2. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22 and the rules promulgated thereunder ("the Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us or our affiliates, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

3. The Minnesota Act protects your right to require that the venue of any dispute not subject to binding arbitration be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

4. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

> "Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

5. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

6. If any contract that you sign with us contains a limitations period for bringing claims against us which is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

7. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third party challenge to your authorized use of our service marks. Minn. Stat. Sec. 80C.12, Subd. 1(g) considers it unfair for a franchisor not to protect a franchisee's right to use the licensed marks.

8. Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form attached to this Exhibit.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF MINNESOTA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Minnesota or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Minnesota.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Minnesota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to provide Company with a general release in violation of the Minnesota Act is illegal and of no force or effect.

3. The parties agree that if any provision in any of the Franchise Contracts requires venue to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Contracts, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

> "Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law."

4. The parties agree that if provision in any of the Franchise Contracts contains procedures for terminating the particular Franchise Contract which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

> "Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the Franchise Agreement."

5. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to consent to Company's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. Notwithstanding anything to the contrary in any of the Franchise Contracts, Company agrees to defend and indemnify Franchisee against liability or claims in connection with Franchisee's authorized use of the Licensed Marks. Franchisee shall not be responsible for the costs of any litigation to protect or defend the Licensed Marks unless Franchisee's unauthorized use of the Licensed Marks is the proximate cause of the litigation.

7. If any provision in any of the Franchise Contracts contains a limitations period for bringing claims against Company which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

8. This Addendum shall be effective only to the extent that jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

9. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following information is required by New York's General Business Law (NY Gen. Bus. §680 et seq. (Consol. 2001) ("New York Franchise Law") and supplements the information in this Disclosure Document:

1. Item 3 is supplemented by the following language which is added to the end of the Item:

Except as otherwise provided in Item 3, neither Company, nor any predecessor, nor its Parent, nor any person listed in Item 2 of this Disclosure Document, nor any affiliate offering franchises under Company's principal trademark:

A. 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. In addition, include 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. In Item 4 is supplemented by the following language which is added to the end of the Item:

Except as disclosed above, neither we nor any affiliate of ours, nor any predecessor, nor any officer of ours has during the 10-year period immediately before the date of the disclosure document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the Franchisor held this position in the company or partnership.

3. The Initial Franchise Fee is deposited into our general funds which are unrestricted and may be used for any purpose that we believe is appropriate.

4. In Item 17, the summary accompanying provision (d), with regard to the Franchise Agreement shall be supplemented by the addition of the following language:

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

5. In Item 17, the summary accompanying provision (j) with regard to the Franchise Agreement is supplemented by the addition of the following language at the end of the summary:

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

6. In Item 17, the summary accompanying provision (w) with regard to the Franchise Agreement is supplemented by the addition of the following language at the end of the summary:

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

7. Revisions to the Confidential Manual will not unreasonably increase your obligations or place an excessive economic burden on your operations.

8. The New York Franchise Law makes it unlawful for a franchisor to require a franchisee to assent to a release, assignment, novation, waiver or estoppel which would relieve a person from any duty or liability imposed by the New York Franchise Law.

9. The provisions in this Addendum are effective only to the extent that the jurisdictional requirements of the New York Franchise Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the New York Franchise Law are not met.

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

North Dakota residents and non-residents who own a franchise located in the State of North Dakota will enter into the North Dakota Addendum to Franchise Contracts in the form which is included as part of this Exhibit amending the franchise contracts that you sign with us to conform the franchise contracts to the requirements of North Dakota law.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF NORTH DAKOTA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of North Dakota or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of North Dakota.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of North Dakota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The North Dakota Franchise Investment Law (the "Law") identifies certain franchisor practices to violate the Law as being unfair, unjust, or inequitable to franchisees. In order to conform the Franchise Contracts with the requirements of the Law, the parties agree as follows:

a. To the extent that the covenants in the Franchise Contracts pertaining to Competitive Businesses restrict competition in a manner contrary to the North Dakota Century Code Section 9-08-06, they may not be enforceable. A covenant not to compete may only apply during the term of a Franchise Agreement and may not apply after the Franchise Agreement ends for any reason. A covenant not to compete that applies after an agreement ends may be unenforceable in the State of North Dakota.

b. Any provision requiring Franchisee to agree to the mediation or arbitration of disputes at a location that is remote from the site of Franchisee's business is not enforceable. As the Franchise Contracts require mediation, but not arbitration, for the resolution of disputes, the parties shall mutually agree upon a site in North Dakota for any mediation required by any of the Franchise Contracts.

c. Any provision requiring Franchisee to consent to the jurisdiction of courts outside of North Dakota is not enforceable. All litigation involving Franchisee shall be conducted in North Dakota.

d. Each of the Franchise Contracts shall be governed by, and construed in accordance with, the laws of the State of North Dakota to the extent required by the Law.

e. Any provision requiring Franchisee to waive the right to a jury trial or the right to collect exemplary or punitive damages is not enforceable.

f. Any provision requiring Franchisee to pay all costs and expenses incurred by Company in enforcing a Franchise Contract is not enforceable. However, the prevailing party in any enforcement action shall be entitled to recover all costs and expenses, including attorney's fees allowed by the mediator or court in the enforcement action.

g. Any provision requiring Franchisee to consent to a limitations of claims is not enforceable. The parties agree that the statute of limitations under North Dakota law shall apply to claims arising under the Franchise Contracts.

h. Any provision in any of the Franchise Contracts that requires Franchisee to provide Company with a general release in violation of North Dakota law shall not apply to Franchisee.

i. Any provision requiring Franchisee to consent to liquidated damages or termination penalties is not enforceable.

3. This Addendum shall be effective only to the extent that jurisdictional requirements of North Dakota law are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of North Dakota law are not met.

4. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Under Section 19-28.1-14 of the Rhode Island Franchise Investment Act, a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of Rhode Island or requiring the application of the laws of another state is void with respect to an otherwise enforceable claim that is not subject to binding arbitration.

Rhode Island residents and non-residents who own a franchise located in the State of Rhode Island will enter into the Rhode Island Addendum to Franchise Agreement in the form attached to this Exhibit.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF RHODE ISLAND

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** (“Addendum”) is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company (“Company”) and ______________________ (“Franchisee”), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Rhode Island or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Rhode Island.

B. The “Franchise Contracts” covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the “Franchise Contracts”).

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Rhode Island law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Rhode Island Franchise Investment Act (the “Act”) at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The parties agree that to the extent that any provision in any of the Franchise Contracts entered into by the parties are inconsistent with the Act, the provisions of the Act shall control. This provision shall not change the parties’ agreement that any mediation proceedings required by the Franchise Agreement take place in the city where Company maintains its headquarters at the time.

3. Rhode Island law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

4. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

5. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

PPW FRANCHISING, LLC,
a Delaware limited liability company

By: ______________________________

Its: ______________________________

FRANCHISEE:

[NAME]

By: ______________________________

SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following information is required by South Dakota's Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)} ("South Dakota Law") and supplements the information in this Disclosure Document:

1. Item 17 is supplemented by the addition of the following language immediately after the table:

> Despite anything to the contrary in the table, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota. Any non-binding mediation will be conducted at a mutually agreed upon site. You are not required to submit to venue or a forum outside the State of South Dakota for any claims you may have under the South Dakota Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008).

2. This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF SOUTH DAKOTA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between PPW FRANCHISING, LLC, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of South Dakota or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of South Dakota.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of South Dakota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties mutually acknowledge and agree that:

a. Notwithstanding anything to the contrary in the Franchise Contracts, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern shall be governed by the laws of the State of South Dakota.

b. Franchisee shall not be required to submit to venue or forum outside the State of South Dakota for any claims Franchisee may have under the South Dakota Franchises for Brand-Name Goods and Services Law ("South Dakota Law").

3. This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.

4. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Any provision in any of the contracts that you sign with us provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

Additional Disclosures. The following statements are added to the information that we disclose in Item 17:

1. 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.

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the provisions of the contracts that you enter into with us pertaining to, among other subjects, the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the provisions of the contracts that you enter into with us.

2. The Washington Department of Financial Institutions, which administers the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "Act"), requires us to disclose the following risk factors as a condition of our registration to sell franchises in Washington:

a. "The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history."

b. "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. As a condition of our registration to sell franchises in Washington, we will defer the Initial Franchise Fee disclosed in Item 5 of our Disclosure Document until we fulfill our initial pre-opening obligations and your Franchised Studio opens for business.

4. The "Contracts" referred to in this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document: Franchise Agreement; Lease Addendum; General Release; Personal Guaranty; and Confidentiality Agreement (collectively referred to as the "Contracts").

5. To the extent that the applicable governing law stipulated in any of the contracts that you sign with us conflicts with the Act, the Act shall prevail.

6. A release or waiver of rights executed by a franchisee who is a resident of Washington or who is a nonresident of Washington but operates a franchise in Washington shall not include rights that arise under the Act, except when the release or waiver is executed pursuant to a negotiated settlement agreement provided each party is represented by independent counsel in the settlement negotiations. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims arising under the Act or which reduce or limit your rights or remedies under the Act, such as the right to a jury trial, may not be enforceable under the Act.

7. Under Washington law, transfer fees are collectible to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

8. The Contracts require that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). The Contracts do not permit arbitration. However, Washington law requires us to disclose that any arbitration involving a franchise purchased in Washington, the arbitration site must either be in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

9. Under Washington law, a contract provision that unreasonably restricts or limits the statute of limitations period for claims under the Act or right or remedies under the Act, such as a right to a jury trial, may not be enforceable.

10. Washington residents and non-residents who own a franchise located in the State of Washington will enter into the Washington Addendum to Franchise Agreement in the form attached to this **Exhibit I** for purposes of amending the contracts entered into by the parties to comply with the provisions of the Act.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF WASHINGTON

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between **PPW FRANCHISING, LLC**, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Washington or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating one or more Pilates ProWorks® Studios in the State of Washington.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Washington law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

E. The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including in the areas of termination and renewal of your franchise.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties mutually acknowledge and agree that:

a. To the extent that any provision in any of the Franchise Contracts is inconsistent with the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act shall control.

b. To the extent that the governing law provided for in each of the Franchise Contracts is inconsistent with the Act, the provisions of the Act shall prevail.

c. A release or waiver of rights executed by Franchisee shall not include a release or waiver of rights arising under the Act except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement and provided that each party is represented by independent counsel.

d. Transfer fees payable in connection with an assignment of any of the Franchise Contracts shall be limited to Company's reasonable estimated or actual costs in approving and processing a transfer application.

e. To the extent that any provision in the Franchise Contracts is found to unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, the provision may not be enforceable.

3. The parties amend the Franchise Agreement with respect to the date when the Initial Franchise Fee is due and payable by Franchisee. Franchisee agrees that the Initial Franchise Fee shall be due and payable in full to Company when Company has fulfilled its obligations that require performance before the Opening Date and Franchisee opens the Franchised Studio for business to the public.

4. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

5. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Wisconsin Fair Dealership Law applies to most, if not all franchise agreements and prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of a dealership agreement without good cause. The Wisconsin Law further provides that at least 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change must be given to the dealer. The Wisconsin Law gives the dealer 60 days to cure the deficiency and if the deficiency is timely cured, the notice is void. The Wisconsin Fair Dealership Law may supersede and control the terms of your relationship with us with respect to these subject matters. To the extent that any provision of any contract that you enter into with us pertaining to your franchise rights is inconsistent with the state law, state law will control.

Wisconsin residents and non-residents who own a franchise located in the State of Wisconsin will enter into the Wisconsin Addendum to Franchise Agreement in the form attached to this Exhibit.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF WISCONSIN

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on ______________, _______ by and between **PPW FRANCHISING, LLC**, a Delaware limited liability company ("Company") and ______________________ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Wisconsin or a non-resident who is acquiring franchise rights permitting use of the Pilates ProWorks® System in operating a Pilates ProWorks® Studio at an Approved Location at an Approved Location in the State of Wisconsin.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e., the Franchise Agreement and each contract that is an exhibit to the Franchise Agreement and the Lease Addendum, General Release, Personal Guaranty, and Confidentiality Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Wisconsin law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Wisconsin Fair Dealership Law, Wis. Stats. Ch. 135, Sec. 32.06 et seq. (the "Law"), provides certain rights to franchisees, which extend to Franchisee. In particular, and without limitation, the Law prohibits the termination, cancellation, nonrenewal or substantial change of competitive circumstances (as defined by the Law and by case law) of a dealership or franchise agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change of competitive circumstances must be given to the dealer. The Law allows the dealer 60 days to cure the deficiency and if the deficiency is cured, the notice is void. To the extent that the Law conflicts with any provision of any of the Franchise Contracts, the provisions of the Law shall control.

3. This Addendum shall be effective only to the extent that jurisdictional requirements of the Law are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

4. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
PPW FRANCHISING, LLC, a Delaware limited liability company	**[NAME]**
By: ______________________________	By: ______________________________
Its: ______________________________	

EXHIBIT J

FINANCIAL STATEMENTS

PPW Franchising, LLC

PROFIT AND LOSS BY MONTH

January - March, 2019

	JAN 2019	FEB 2019	MAR 2019	TOTAL
Income				
4000.00 Franchise Monthly Royalties	20,520.00	19,061.31	18,498.37	$58,079.68
4600.00 Merchandise Sales			1,748.00	$1,748.00
4700.00 Billable Service Expenses	330.00	2,542.97	330.00	$3,202.97
4830.00 Sales Discounts		-2,666.99		$ -2,666.99
4900.00 Brand Development Fund	6,155.98	6,820.54	6,762.09	$19,738.61
Total Income	**$27,005.98**	**$25,757.83**	**$27,338.46**	**$80,102.27**
Cost of Goods Sold				
5500.00 Training- New Franchise	87.50	87.50	87.50	$262.50
5800.00 Taylor Carter Management	696.00	696.00	696.00	$2,088.00
Total Cost of Goods Sold	**$783.50**	**$783.50**	**$783.50**	**$2,350.50**
GROSS PROFIT	**$26,222.48**	**$24,974.33**	**$26,554.96**	**$77,751.77**
Expenses				
6000.00 Advertising and Promotion	285.38	1,008.23	750.00	$2,043.61
6040.00 Bank Service Charges	25.00	134.32	64.56	$223.88
6150.00 Web Branding & Design			1,260.40	$1,260.40
6170.00 Computer and Internet Expenses	928.99	928.99	928.99	$2,786.97
6200.00 Travel Expense	1,421.33	758.94	240.05	$2,420.32
6670.00 Professional Fees				$0.00
6690.00 Professional Fee's Accounting	2,842.00	692.00		$3,534.00
Total 6670.00 Professional Fees	**2,842.00**	**692.00**		**$3,534.00**
6700.00 Medical Insurance	1,394.59	1,394.59	1,394.59	$4,183.77
6850.00 Purchased Supplies for Franchisee's		175.56		$175.56
6851.00 Pre Paid Services for Franchisee's		540.00		$540.00
7200.00 Payroll Expenses				$0.00
7210.00 Corporate Master Trainer Salary	875.00	2,189.50	4,162.00	$7,226.50
7500.00 Payroll Processing Fee	97.62	97.62	97.62	$292.86
7550.00 Franchise Expansion Wages	14,813.07	15,746.40	13,180.07	$43,739.54
7600.00 Company Payroll Tax	191.44	382.14	651.79	$1,225.37
Total 7200.00 Payroll Expenses	**15,977.13**	**18,415.66**	**18,091.48**	**$52,484.27**
7850.00 Franchise Expansion		1,633.60	800.00	$2,433.60
QuickBooks Payments Fees			1.50	$1.50
Total Expenses	**$22,874.42**	**$25,681.89**	**$23,531.57**	**$72,087.88**
NET OPERATING INCOME	**$3,348.06**	**$ -707.56**	**$3,023.39**	**$5,663.89**
NET INCOME	**$3,348.06**	**$ -707.56**	**$3,023.39**	**$5,663.89**

PPW Franchising, LLC

BALANCE SHEET

As of March 31, 2019

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1000.00 BofA Checking 6096	9,589.79
1100.00 Brand Development Savings	0.00
1150.00 Brand Development 5301	1,930.64
Total Bank Accounts	**$11,520.43**
Accounts Receivable	
2000.00 Accounts Receivable (A/R)	25,983.81
2001.00 Accounts Receivable Exchange	0.00
2010.00 Franchise Fee's Receivable	0.00
2020.00 Brand Development Receivable	0.00
Total Accounts Receivable	**$25,983.81**
Other Current Assets	
1900.00 Intangible Assets	0.00
2100.00 Loan/Transfer PPW Marina	0.00
2130.00 Undeposited Funds	0.00
2160.00 Loan- Chicago Purchases	-3,366.42
2170.00 Prepaid State Taxes	0.00
2172.00 Pre Paid Medical Insurance	1,394.59
2175.00 PrePaid Professional Fee's	-2,320.00
2310.00 Loan/Transfer PPW FIDI	-2,947.00
2600.00 PPW Enterprises	0.00
Total Other Current Assets	**$ -7,238.83**
Total Current Assets	**$30,265.41**
Fixed Assets	
2150.00 Accumulated Depreciation	0.00
accumulated amort	0.00
organization costs	35,000.00
tenant improve	0.00
Total Fixed Assets	**$35,000.00**
TOTAL ASSETS	**$65,265.41**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2200.00 Accounts Payable (A/P)	0.00
Total Accounts Payable	**$0.00**
Other Current Liabilities	
2201.00 AP Holding Acct	0.00
2300.00 Accrued Payroll	750.45
2350.00 Accrued Expenses	0.00
2401.00 Deferred Revenue	0.00

	TOTAL
2410.00 Deferred Revenue Related Party	0.00
2700.00 Transfer/Loan from PPW Mill Valley	0.00
2800.00 Loan/Transfer from PPW Marina	0.00
Total Other Current Liabilities	**$750.45**
Total Current Liabilities	**$750.45**
Total Liabilities	**$750.45**
Equity	
3100.00 Members Draw	-128,312.30
3200.00 Members Equity	187,163.37
Net Income	5,663.89
Total Equity	**$64,514.96**
TOTAL LIABILITIES AND EQUITY	**$65,265.41**

PPW Franchising, LLC
San Francisco, CA

Financial Statements
December 31, 2018, 2017 and 2016

PPW FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017, AND 2016

Table of Contents

Porterfield
& Company CPA, PLLC
accountants • auditors • advisors

INDEPENDENT AUDITORS' REPORT

To the Member of
PPW Franchising, LLC
San Francisco, CA

We have audited the accompanying financial statements of PPW Franchising, LLC (a Limited Liability Company), which comprise the balance sheets as of December 31, 2018, and the related statements of income and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PPW Franchising, LLC as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

200 East Rush Avenue, Suite 4, Harrison, AR 72601 | 870-741-3135 | Fax 870-741-9064 | www.porterfieldcpa.com

Other Matters

The financial statements of PPW Franchising, LLC as of and for the years ended December 31, 2017 and 2016, were audited by other auditors whose report dated April 20, 2018 expressed unmodified opinions on those statements. Accordingly, we do not express an opinion on the financial statements as of and for the years ended December 31, 2017 and 2016 or the related notes to the financial statements for those periods.

Porterfield & Company CPA, PLLC

Porterfield & Company CPA, PLLC

Harrison, Arkansas
May 6, 2019

PPW FRANCHISING, LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2018, 2017, AND 2016

ASSETS

	2018	2017	2016
Current Assets			
Cash and Cash Equivalents	$ 9,277	$ 21,849	$ 2,480
Restricted Cash	2,802	7,328	1,687
Accounts Receivable	22,228	21,598	43,253
Prepaid Expenses	1,395	3,779	-
Related Party Receivable	-	17,273	19,435
Total Current Assets	35,702	71,827	66,855
Other Assets			
Intangible Assets	35,000	35,000	35,000
Total Other Assets	35,000	35,000	35,000
Total Assets	$ 70,702	$ 106,827	$ 101,855

LIABILITIES AND MEMBER'S EQUITY

	2018	2017	2016
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 750	$ 1,984	$ 8,610
Deferred Revenue	-	5,000	-
Deferred Revenue - Related Parties	-	-	40,000
Notes Payable - Related Party	-	10,591	13,292
Total Current Liabilities	750	17,575	61,902
Total Liabilities	750	17,575	61,902
Member's Equity	69,952	89,252	39,953
Total Liabilities and Member's Equity	$ 70,702	$ 106,827	$ 101,855

See notes to financial statements.

PPW FRANCHISING, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	2018	2017	2016
Operating Revenues			
Royalties	$ 196,441	$ 153,422	$ 115,564
Initial Franchise Fees	40,000	45,000	105,000
Merchandise Fees	-	3,430	-
Service Income	7,010	65,175	70,298
Brand Development Fund	80,658	74,401	85,688
Less: Rebates	(23,831)	-	-
Net Operating Revenue	300,278	341,428	376,550
Cost of Goods Sold	12,664	350	23,841
Gross Profit	287,614	341,078	352,709
Operating Expenses			
Franchise Brand Development	25,773	9,998	1,866
Marketing and Advertising	57,779	98,860	99,753
Legal	46,468	13,349	40,700
Accounting	18,848	5,402	3,718
Taxes and Licenses	540	1,700	687
Bad Debt	-	8,547	-
Salaries and Benefits	40,708	165,258	162,449
General and Administrative	23,134	2,155	2,942
Total Operating Expenses	213,250	305,269	312,115
Operating Income (Loss)	74,364	35,809	40,594
Interest Income	-	-	1
Net Income (Loss)	74,364	35,809	40,595
Member's Equity, Beginning of Year	89,252	39,953	15,359
Member Contributions	-	14,944	-
Member Distributions	(93,664)	(1,454)	(16,001)
Member's Equity, End of Year	$ 69,952	$ 89,252	$ 39,953

See notes to financial statements.

PPW FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Cash Flows from Operating Activities			
Net Income (Loss)	$ 74,364	$ 35,809	$ 40,595
Changes in Assets and Liabilities:			
Accounts Receivable	(630)	21,655	(32,265)
Franchise Fees Receivable - Related Party	-	-	40,000
Prepaid Expenses	2,384	(3,779)	1,223
Accounts Payable	(1,234)	(6,626)	2,235
Deferred Revenue	(5,000)	5,000	(65,000)
Deferred Revenue - Related Parties	-	(40,000)	-
Net Cash Provided by (Used in) Operating Activities	69,884	12,059	(13,212)
Cash Flows from Investing Activities			
(Increase) Decrease in Related Party Receivable	17,273	2,162	(6,698)
Net Cash Provided by (Used in) Investing Activities	17,273	2,162	(6,698)
Cash Flows from Financing Activities			
(Increase) Decrease in Related Party Receivable	(10,591)	(2,701)	12,050
Contributions Received	-	14,944	-
Distributions Paid	(93,664)	(1,454)	(16,001)
Net Cash Provided by (Used in) Financing Activities	(104,255)	10,789	(3,951)
Increase (Decrease) in Cash and Cash Equivalents	(17,098)	25,010	(23,861)
Cash and Cash Equivalents, Beginning of Year	29,177	4,167	28,028
Cash and Cash Equivalents, End of Year	$ 12,079	$ 29,177	$ 4,167

SUPPLEMENTARY INFORMATION

Cash Paid for Interest	$ -	$ -	$ -

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

PPW Franchising, LLC ("the Company" or "PPW Franchising") was formed in the State of Delaware on February 21, 2013. The Company is primarily engaged in the sale of Pilates ProWorks franchises and the providing of start up and support services to its Pilates ProWorks franchises.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when they become measurable and available. Expenses are recognized when the related liability is incurred.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash.

Accounts Receivable

Accounts receivable for royalties and advertising are recorded at the amounts the Company expects to collect on balances earned and outstanding at the end of the year. Management closely monitors outstanding balances and provides for estimates of uncollectible balances in an allowance for doubtful accounts. The allowance for doubtful accounts at December 31, 2018, 2017, and 2016 was $0.

Property and Equipment

The Company's policy is to depreciate property and equipment using the straight-line method over the asset's estimated useful life. Asset purchases under $1,500 are expensed as incurred. There were no property and equipment or depreciation expense recorded in the years ended December 31, 2018, 2017, or 2016.

Revenue and Cost Recognition

Royalty fees and advertising fees are a percentage of franchisees monthly gross receipts, as defined in the franchise agreements, and are recorded as revenue when earned. The Company recognizes income from sales of franchises when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company, substantially all of the initial services of the Company required by the franchise agreement have been performed, and no other material conditions or obligations relating to the determination of substantial performance exist. The initial franchise fees are non-refundable and any fees received but not yet earned and recognized as revenue are classified as deferred revenue.

Marketing and Advertising

The Company expenses costs for marketing and advertising as the costs are incurred. Total marketing and advertising costs charged to expense for the years ended December 31, 2018, 2017, or 2016 were $57,779, $98,860, and $99,753, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Intangible Assets

The Company's intangible assets of $35,000 at December 31, 2018, 2017, or 2016 consisted of training guides, workbooks, handbooks, manuals, equipment specifications, flashcards and other franchise related materials in addition to the creation of the initial franchise disclosure document and franchise agreement. The Company does not amortize intangible assets that have indefinite lives, but such assets are subject to an annual impairment test or more frequent test if indicators of impairment exist. No impairment has been recorded as of December 31, 2018, 2017, or 2016.

Income Taxes

The Company elected, under the Internal Revenue Code and similar state statutes, to be treated as a single member LLC. As such, it is not liable for corporate income taxes. The Member of the corporation is taxed individually on the Company's taxable income. Management believes there is appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the balance sheet. The Member's U.S. Income Tax Return is subject to examination by the IRS, generally for three years after it was filed.

Use of Accounting Estimates

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.

NOTE 2 - RESTRICTED CASH

The Company has a segregated cash account that is restricted for use, per the terms of the franchise agreements, in paying various expenses associated with promotional and advertising expenses for Pilates ProWorks. The Company had $2,802, $7,329, and $1,687 of restricted cash at December 31, 2018, 2017, and 2016, respectively.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company has receivables due from parties related through common ownership. These receivables are noninterest bearing and are due on demand. The receivables are classified as Related Party Receivables. The amount due as of December 31, 2018, 2017, and 2016 is $0, $17,273, and $19,435, respectively.

The Company had loans payable to a party related by common ownership. These loans are noninterest bearing and are due on demand. The loans are classified as Notes Payable - Related Party. The amount due as of December 31, 2018, 2017, and 2016 is $0, $10,591, and $13,292, respectively.

The member of the Company owns two Pilates ProWorks locations currently in operation as of December 31, 2018. The member owned six locations as of December 31, 2017 and 2016. These locations generated $0, $21,236, and $44,591 in royalty revenue and $18,627, $38,542, and $54,361 in brand development revenue for the Company for the years ended December 31, 2018, 2017, and 2016, respectively. The locations also generated $64,851 and $63,800 in service revenue in the years ended December 31, 2017, and 2016, respectively.

NOTE 4 - FRANCHISES IN OPERATION

The franchise activity for the year ended December 31, 2018, 2017, and 2016 were as follows:

	2018	2017	2016
Operating at beginning of period	8	6	3
Franchises Opened	2	3	3
Franchises Closed	(0)	(1)	(0)
Operating at end of period	10	8	6

NOTE 5 - FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Company's cash and cash equivalents consist of deposits including both checking and money market accounts. Deposits are carried at cost. The carrying amount of deposits is displayed on the balance sheet as Cash and Cash Equivalents. The FDIC insurance covers the first $250,000 of deposits per financial institution.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company neither owns nor leases any real or personal property. A member has provided office services without charge. There is no obligation for the member to continue this arrangement. Such costs are immaterial to the financial statements and accordingly are not reflected herein. The member is involved in other business activities and most likely will become involved in other business activities in the future.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2019, the date on which the financial statements were available to be issued.

EXHIBIT K

LIST OF OPERATING PILATES PROWORKS® STUDIOS	
FRANCHISEE OWNED LOCATIONS AS OF 12/31/2018	**COMPANY OWNED LOCATIONS AS OF 12/31/2018**
CALIFORNIA	**CALIFORNIA**
PPW 1300 Broadway, LLC Pilates ProWorks®, Burlingame 1300 Broadway Burlingame, CA 94010 (650) 525-4741	PPW Financial District, LLC Pilates ProWorks®, San Francisco – Financial District 234 Bush Street San Francisco, CA 94104 (415) 780-5887
PPW Mill Valley, LLC Pilates ProWorks®, Marin - Mill Valley 360 Miller Avenue Mill Valley, CA 94941 (415) 360-5816	**ILLINOIS** Pilates ProWorks Chicago, LLC Pilates ProWorks®, Chicago – Lincoln Park 2128 North Halsted Street Chicago, IL 60614 (872) 829-2801
PPW ProWorks Larkspur LLC Pilates ProWorks® Larkspur 242 Magnolia Avenue Larkspur, CA 94939 (415) 886-8919	
PPW San Anselmo LLC Pilates ProWorks® San Anselmo 21 San Anselmo Avenue San Anselmo, CA 94960 (415) 306-7650	
Pilates ProWorks, LLC Pilates ProWorks®, San Francisco - Marina 2238 Union Street San Francisco, CA 94123 (415) 913-7717	
FLORIDA	
PPW Miami LLC Pilates ProWorks®, Miami 25 Merrick Way Miami, FL 33134 (305) 631-2534	

ILLINOIS	
Pilates ProWorks® Chicago West Loop, LLC Pilates ProWorks®, Chicago – West Loop 773 W. Adams Street Chicago, IL 60661 (312) 285-2602	
MINNESOTA	
PPW Fit MN, LLC Pilates ProWorks®, Minneapolis – Edina 7491 France Avenue South Edina, MN 55435 (952) 835-1066	
VIRGINIA	
Pilates ProWorks® Alexandria Inc. Pilates ProWorks®, Alexandria 1103 Queen Street, 2nd Floor Alexandria, VA 22314 (703) 575-8206	
WASHINGTON	
Kate MacDonald Pilates ProWorks®, Seattle South Lake Union 771 Thomas Street Seattle, WA 98109 (206) 971-1333	

FRANCHISEES THAT HAVE LEFT THE PPW SYSTEM DURING THE LAST FISCAL YEAR

NONE

FRANCHISEES THAT HAVE NOT COMMUNICATED WITH US DURING THE 10 WEEKS BEFORE THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT

NONE

<u>EXHIBIT L</u>

CLOSING ACKNOWLEDGEMENT

(DECLARATION OF FRANCHISE APPLICANT)

DECLARATION OF FRANCHISE APPLICANT

As part of the process we follow in reviewing an application to purchase a Pilates ProWorks® Studio, you must execute this Declaration to confirm no statement or promise has been made to you by our representatives that we do not authorize or you believe is untrue, inaccurate or misleading. We also want to confirm you understand the terms of the agreements you will sign.

- I have received and personally reviewed the Franchise Disclosure Document ("the FDD") and each exhibit the FDD identifies as being attached to it presented by PPW Franchising, LLC ("Company")

- I understand all of the information contained in the Franchise Agreement.

- I received the FDD together with a copy of all proposed agreements relating to the sale of Pilates ProWorks® Studio at least the longer of (i) 14 calendar days, or (ii) ten (10) business days before I executed this document and before I paid any consideration in connection with this franchise.

- I electronically acknowledged receipt of the FDD.

- I understand all of the information contained in the FDD.

- I have had the opportunity to discuss the benefits and risks of operating a Pilates ProWorks® Studio with an attorney, accountant or other professional advisor, and I understand those benefits and risks.

- I understand each of the following: (i) Company retains the right to modify the Pilates ProWorks® System; (ii) the Pilates ProWorks® System may evolve and change over time; (iii) an investment in a Pilates ProWorks® Studio involves business risks; and (iv) the success of my Pilates ProWorks® Studio depends primarily upon my business ability and personal efforts as well as competition from other businesses, the location that I chose for my Pilates ProWorks® Studio and other economic and business factors.

- I have been provided with the opportunity to visit an operating the Pilates ProWorks® Studio or the Pilates ProWorks® Studio.

- No employee or other person speaking on behalf of Company made any statement or promise concerning the revenues or profits that I will or am likely to earn from owning and operating a Pilates ProWorks® Studio or that my Pilates ProWorks® Studio may generate.

- No employee or other person speaking on behalf of Company made any statement or promise regarding the amount of money I may earn in operating a Pilates ProWorks® Studio.

- No employee or other person speaking on behalf of Company made any statement or promise regarding the costs I may incur in operating a Pilates ProWorks® Studio other than disclosures appearing in the FDD.

- No employee or other person speaking on behalf of Company made any statement or promise concerning the likelihood of success I should or might expect to achieve from operating a Pilates ProWorks® Studio.

- No employee or other person speaking on behalf of Company made any statement, promise or agreement concerning the advertising, marketing, training, support services or assistance I will or may receive that is contrary to, or different from, the information contained in the FDD.

- No employee or other person speaking on behalf of Company made any statement, promise or agreement concerning the anticipated income, earnings or growth of Company or any of the Pilates ProWorks® Studio.

- I understand my answers are important to Company and Company will rely on them in deciding whether or not to enter into a Franchise Agreement with me.

By signing this Declaration, I represent I have responded truthfully based upon my personal knowledge and belief.

Dated: ______________________, ________

____
APPLICANT

EXHIBIT M

FRANCHISE APPLICATION

APPLICATION TO PURCHASE
THE PILATES PROWORKS® FRANCHISE

TO: **PPW Franchising, LLC**
234 Bush Street
San Francisco, California 94104
Telephone: 415-913-7717
Fax: ____________
www.pilatesproworks.com
www.barrepro.com

I, either for myself or for the entity identified below on whose behalf I represent to you I am authorized to act, hereby apply to purchase the Pilates ProWorks® franchise on the terms and conditions set forth in the Pilates ProWorks® Franchise Agreement (the "Pilates ProWorks® Franchise Agreement") and other contracts attached to Pilates ProWorks® Franchising, LLC Franchise Disclosure Document ("FDD") identified below.

1. Accompanying this application is my payment of $____________, which I understand you will credit to the Initial Franchise Fee if you accept my application to purchase the Pilates ProWorks® franchise and I complete the purchase and enter into the Franchise Agreement, as appropriate. I understand that if you reject my application, or if you accept my application and I decide not to complete the purchase, you will refund $4,000 of the deposit and retain $1,000, which is non-refundable.

2. I understand and agree that in order to be approved as a Pilates ProWorks® franchisee, I must, in your judgment and discretion, satisfy the standards that you deem relevant for new Pilates ProWorks® franchisees, demonstrate that I possess the requisite character, business experience and credit worthiness, and meet minimum financial requirements. I understand that evaluation of my application and supporting credentials is a subjective process and left to your absolute discretion, and that you may consider all aspects of my character, experience and background that you deem relevant.

3. I submit together with this application all documentation required by you supporting my business experience and personal, financial, and credit history. I understand that you have the right to request additional information and the names of references to support my application. I further understand that my application shall not be complete until you receive all requested information. The information set forth in this application and in all supporting documentation is, or when submitted will be, true and complete.

4. I understand that you shall have 30 days from the date my application is complete to approve my application. I acknowledge that you have absolute discretion to accept

my application or reject it. I understand that $1,000 of the deposit paid with my application is non-refundable. If my application is rejected, I agree that I will have no claim against you arising out of this application or my dealings with you pertaining to the Pilates ProWorks® opportunity.

5. If my application is approved, I understand that my deposit shall be fully credited toward the Initial Franchise Fee when I sign the Franchise Agreement. I understand that your approval of my application may be conditioned upon my signing the Franchise Agreement and all other required contracts by no later than the date that you specify, which shall be at least 14 days from the date that you notify me of such approval. If I do not execute all required agreements by the date that you specify, I understand that I will thereafter have no right to purchase a Pilates ProWorks® franchise and that you will not be obligated to enter into a Pilates ProWorks® Franchise Agreement with me.

6. I understand that I may withdraw my application at any time, even after my application is approved, but before I sign the Pilates ProWorks® Franchise Agreement and other required contracts, upon written notice to you. Should I do so, you will promptly refund $[ ] of the deposit after which neither one of us shall have any further obligation to the other and I shall have no claim against you arising out of this application or my dealings with you pertaining to the Pilates ProWorks® franchise opportunity.

7. I understand that my rights under this application are not transferable or assignable by me or by operation of law.

8. I acknowledge that I have previously acknowledged receipt of a FDD and all exhibits thereto, and that I have had such documents in my possession for at least 14 days before signing this application or paying any consideration to Pilates ProWorks® Franchising, LLC. I have read this application and the FDD; I have been given the opportunity to clarify any provisions that I may not have understood and to consult with an attorney or other professional advisor of my own choosing; and I have been encouraged to consult with professional advisors knowledgeable about franchising.

9. I represent that I understand the terms, conditions and obligations of this application and agree to be bound by them. I apply to purchase a Pilates ProWorks® franchise based upon my own independent investigation of the business opportunity, and recognize that this investment involves business risks and that the success of the investment depends upon my personal abilities and efforts.

10. I further represent that in applying to purchase a Pilates ProWorks® franchise, I have not received, and am not relying upon, any promise or guarantee, express or implied, about the revenues, profits or success of the business venture, and that no promises or representations of any kind have been made to me that are contrary to any statements made in the FDD.

DATE: ____________

PRINT NAME OF APPLICANT:

____

EXHIBIT N

RECEIPT
[Your Copy]

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Iowa, New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise 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 or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if this Disclosure Document 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 agencies listed in **Exhibit A**.

The franchisor and the name, principal business address and telephone number of each franchise seller offering the franchise are as follows:

COMPANY:	FRANCHISE SELLER:
PPW FRANCHISING, LLC 234 Bush Street San Francisco, CA 94104 Telephone: 415-913-7717	Name of individual negotiating on behalf of Company: Oscar Sanin, Chief Executive Officer and Chief Financial Officer PPW FRANCHISING, LLC 234 Bush Street San Francisco, CA 94104 Telephone: 415-913-7717 Taylor Carter, President PPW FRANCHISING, LLC 234 Bush Street San Francisco, CA 94104 Telephone: 415-913-7717 Megan Corbell Director of Operations and Training PPW FRANCHISING, LLC 234 Bush Street San Francisco, CA 94104 Telephone: 415-913-7717 Daniel Collins 5292 Sancerre Circle Lake Worth, FL 33463 Telephone: 954- 263-2056

Issuance Date: May 7, 2019.

We authorize the respective state agencies identified on **Exhibit B** to receive service of process for us in the particular state.

I have received a Disclosure Document dated May 7, 2019 that included the following Exhibits on the date above my signature:

EXHIBIT A List of State Administrators
EXHIBIT B Agent for Service of Process
EXHIBIT C Franchise Agreement
A – Approved Location and Protected Area
B – Personal Guaranty
C – Addresses for Notice
D – Spousal Consent
EXHIBIT D Lease Addendum
EXHIBIT E General Release
Schedule A – Dispute Resolution

EXHIBIT F	Personal Guaranty Schedule A – Debtor's Ownership Interest Schedule B – Dispute Resolution
EXHIBIT G	Confidentiality Agreement Schedule A – Dispute Resolution
EXHIBIT H	Confidential Manual Table of Contents
EXHIBIT I	State Addendum and Amendment to Franchise Contracts for certain states
EXHIBIT J	Financial Statements
EXHIBIT K	List of Operating Pilates ProWorks® Studios
EXHIBIT L	Closing Acknowledgement (Declaration of Franchise Applicant)
EXHIBIT M	Franchise Application
EXHIBIT N	Receipts (2 copies)

Date: ______________________________

(Do not leave blank)

____

Signature of Prospective Franchisee

____

Print Name

EXHIBIT N

RECEIPT

[Our Copy]

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

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EXHIBIT E General Release
Schedule A – Dispute Resolution

EXHIBIT F	Personal Guaranty Schedule A – Debtor's Ownership Interest Schedule B – Dispute Resolution
EXHIBIT G	Confidentiality Agreement Schedule A – Dispute Resolution
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EXHIBIT J	Financial Statements
EXHIBIT K	List of Operating Pilates ProWorks® Studios; List of Franchisees that have left the PPW System during the Last Fiscal Year
EXHIBIT L	Closing Acknowledgement (Declaration of Franchise Applicant)
EXHIBIT M	Franchise Application
EXHIBIT N	Receipts (2 copies)

Date: ______________________________

(Do not leave blank)

____

Signature of Prospective Franchisee

____

Print Name

Return this copy to us -- you mail the executed original to us at the above address; fax us a signed copy of this receipt to the fax number shown above; or pdf the signed copy as an attachment to an e-mail directed to franchise@pilatesproworks.com.