RITUAL

HOT YOGA

Ritual Franchising Company LLC

Franchise Disclosure Document

January 7, 2020

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FRANCHISE DISCLOSURE DOCUMENT

Ritual Franchising Company LLC
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RITUAL
HOT YOGA

The franchise offered is for the operation of a Ritual Hot Yoga studio that provides specialized yoga classes/instruction under the "Ritual Hot Yoga" marks ("Studio") and sells related services, apparel and products. Our Studio offers students and members a yoga immersion experience that is designed to enhance each individual's yoga practice at all skill levels. The business model is designed around the Ritual Hot Yoga Practice Method which provides attentive instruction in a curated sensory setting.

The total investment necessary to begin operation of a Studio franchise ranges from $299,860 to $500,700. This amount includes up to $58,275 that must be paid to the franchisor or its affiliate prior to opening.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ritual Franchising Company LLC, franchise@ritualhotyoga.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 accountant.

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

There may also be laws on franchising in your state. Call your state agency or visit your public library for other sources of information on franchising.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS: **January 7, 2020**

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STATE COVER PAGE

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

Call the state franchise administrator listed on Exhibit K for information about the franchisor, 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 PERMITS THE FRANCHISEE TO MEDIATE OR LITIGATE ONLY IN ILLINOIS. OUT OF STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH THE FRANCHISOR IN ILLINOIS THAN IN YOUR HOME STATE.

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

3 WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR PRINCIPAL TRADEMARK. THEREFORE, OUR TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK WHICH MAY INCREASE YOUR EXPENSES.

4 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.

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

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STATE EFFECTIVE DATES

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

This 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:

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

In all other states, this Franchise Disclosure Document's effective date is the issuance date of **January 7, 2020.**

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RITUAL FRANCHISING COMPANY LLC
FRANCHISE DISCLOSURE DOCUMENT

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

Franchisor

The franchisor is Ritual Franchising Company LLC. To simplify the language, this disclosure document uses "we," "us," "our," "Franchisor" or "Ritual Hot Yoga" to mean Ritual Franchising Company LLC, the franchisor. "You" means the person, corporation, partnership, limited liability company or other business entity and the individual owners of any business entity to whom we grant a franchise.

We formed the entity, Ritual Franchising Company LLC in the state of Illinois on August 21, 2019. Our principal business is the offering and awarding of franchises to independently operate a Ritual Hot Yoga Studio that utilizes the proprietary marks (the "Marks") and the business operations system (the "System") developed by us and our affiliates. We have been involved in the yoga industry since 2015. Our principal business address is 1100 N. Lake Shore Drive, Chicago, Illinois 60611. We do business under our corporate name, and the trade name 'Ritual Hot Yoga' or 'Ritual'.

We have no predecessor company. We do not have a parent company, and we are not a subsidiary of any other company. We do not do business under any other name. We do not currently own or operate any locations.

Affiliates

We have two affiliates, Ritual San Francisco, Inc. and Kearny Ritual LLC. Our affiliates own and operate Ritual Hot Yoga Studios in California and Illinois. The Ritual Hot Yoga Studio business is the model for our franchise System.

Ritual San Francisco, Inc. ("Licensor") is a California corporation that was formed in 2015. Licensor is the owner of the "Ritual Hot Yoga" trade name, logos and other trademarks and service marks and related trade dress (the "Marks") and licenses the Marks to us pursuant to an agreement that became effective September 1, 2019. Licensor's principal business address is 1100 N. Lake Shore Drive, Chicago, Illinois 60611. Licensor owns and operates two (2) Ritual Hot Yoga studios, which began operating in 2015. It has never offered Ritual Hot Yoga franchises or franchises in any other line of business.

Kearny Ritual LLC is a California limited liability corporation that was formed in 2017. Affiliate's principal business address is 1100 N. Lake Shore Drive, Chicago, Illinois 60611. Kearny Ritual LLC owns and operates one (1) Ritual Hot Yoga Studio, which began operating in 2017. It has never offered Ritual Hot Yoga franchises or franchises in any line of business.

Agent for Service of Process

Our agents for service of process are disclosed in Exhibit K.

Prior Experience

We began offering Ritual Hot Yoga franchises in December 2019. We have never offered franchises in any other line of business. We do not and have never operated a Ritual Hot Yoga Studio.

Franchised Business

The franchise offered under this Disclosure Document is a Ritual Hot Yoga Studio ("Studio"), which is a

specialty yoga studio concept that provides yoga instruction following the prescribed Ritual Hot Yoga practice method. This method is designed to provide students with an enhanced yoga practice experience that combines traditional and customized yoga classroom instruction with a curated sensory experience. Our proprietary practice method accommodates all skill levels from beginner to advanced.

The Ritual Hot Yoga Studio business format and system ("System") is designed to create a tranquil, yet stimulating space that results in highly effective and focused yoga practice sessions. Studios are outfitted with specified amenities to create a comfortable environment for students before, during and after practice. Each Studio will typically offer individual, group and tailored membership programs where students can attend a defined number of classes over a given period of time and any other related services that we may develop, designate and/or authorize (the "Approved Services"). In addition to group and private lessons, Studios are prepared to offer workshops and host related events to further enrich the student/member experience.

The Studios also carry a selection of yoga related apparel and merchandise, a portion of which is branded with the Ritual Hot Yoga design and logo. Occasionally, we may approve other related products and services.

Our franchisees are granted the right to open and operate a Ritual Hot Yoga Studio franchise using our System which includes our (a) Marks, which may include trademarks, service marks, trade names, trade dress, logo and other source identifying branding; (b) and our proprietary business operations System that includes initial and ongoing training and instruction and corresponding training materials; (c) specifications for the design and layout of a typical Studio with standards and specifications for certain furniture, fixtures, equipment, supplies, inventory and the buildout associated with the establishment; (d) items that can be purchased from us or the supplier we have designated or approved for such items/packages ("Approved Supplier"); (e) standards regarding quality customer service; (f) our guidelines pertaining to Studio operations management and financial control; and (g) our requirements/guidelines for advertising, marketing and promotional programs and/or campaigns.

We have established quality System standards and procedures for Studio operations. Our System standards, specifications and procedures are described in our confidential brand standards and operations manual (the "Manual"), in other written manuals we may loan to our franchisees (collectively, the "Manuals") or otherwise provided in writing by us. We reserve the right to modify or further develop the Marks, System and Manuals, as we determine is appropriate and in our discretion.

The franchise described in this disclosure document is a license to develop and operate a single Ritual Hot Yoga Studio business at a designated location (the "Authorized Location"). The Franchise Agreement authorizes you to use the Ritual Hot Yoga trade name and service mark in connection with the operation of a Ritual Hot Yoga Studio and permits you to use the distinctive identity, trade names, methods and System developed by Ritual Hot Yoga for opening and operating a Studio.

You must pay certain fees and make certain investments, described in Items 5 through 7 of this disclosure document. Other material aspects of the franchise are described in the disclosure document and in the Franchise Agreement included as Exhibit A which will govern the relationship between you and Ritual Hot Yoga. Certain parts of the Franchise Agreement are highlighted in Item 17.

If you own an existing yoga studio or similar fitness facility, and meet our other qualifications, then we may permit you to convert your existing business to a Studio. A converted Studio will likely encounter different investment requirements than those of a start-up Studio subject to costs of bringing the existing facility to Ritual Hot Yoga Studio standards.

Multi-Unit Development

Ritual Hot Yoga may choose in its sole and absolute discretion, to offer a development agreement (the "Multi-Unit Development Agreement") to qualified individuals or entities. Under the Multi-Unit Development Agreement, you commit to open a minimum number of Ritual Hot Yoga Studios in a specified Trade Area (the "Exclusive Trade Area") within a given period of time. The number of Studios to be opened under the Multi-Unit Development Agreement is determined by Ritual Hot Yoga and based upon initial market unit potential with analysis of demographics and feasibility studies prior to awarding the Multi-Unit Development Agreement.

At the time of the execution of the Multi-Unit Development Agreement, a Single Studio Franchise Agreement for the first Studio to be established within the Development area will also be executed. You will be required to execute a then-current Franchise Agreement for each additional Studio you open in the development area at the time the Studio location is selected.

You will be required to pay us certain fees as described in Item 5.

The Market

The market for yoga services is well developed and competitive. You will face competition for students/members from gyms, personal trainers, fitness/exercise centers and studios, health clubs, yoga and Pilates studios. You will also compete with public recreation centers and not-for-profit community organizations. There may be industry developments that affect supply and demand. These factors are important to consider when evaluating whether to invest in our franchise and participate in the yoga industry.

Regulations

You are required to operate your Studio in full compliance with all applicable Federal, State and local laws, rules and ordinances, and to keep in force all necessary licenses and permits required by public authorities. Your studio may be subject to various regulations relating to site location and building construction, such as the Americans with Disabilities Act. You are solely responsible for complying with all employment, wage and hour laws, discrimination, sexual harassment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes.

Certain states require that health/fitness facilities have a staff person available during all hours of operation that is trained in administering CPR and/or to use an external defibrillator. Many states also require that certain types of fitness centers be equipped with working defibrillators

Some states have laws that regulate the content of membership service contracts, cancellation rights and refunds or place additional consumer related restrictions on memberships that health or fitness clubs sell.

These regulatory requirements can affect a broad scope of your operations, including location selection, hiring of personnel and operating costs. Before investing in the franchise, we recommend you consult with an attorney to review local, state and federal laws that may impact your establishment and operation of a Studio.

ITEM 2: BUSINESS EXPERIENCE

Lindsey Kaalberg - Founder/CEO

Lindsey Kaalberg is our founder and serves as CEO since our inception in 2014. She is the creator of our unique practice method where you move and “Breathe to the Beat" of the music and the visionary behind the distinctive Ritual Studio experience. Ms. Kaalberg is also the founder of MatSnaps, a product designed to securely hold a yoga towel in place on a yoga mat. Previously, Ms. Kaalberg was a Store Manager at Lululemon Athletica in Palo Alto, CA. She is based in Chicago, Illinois.

Irene Hodge - Chief Operating Officer

Irene Hodge has been with Ritual Hot Yoga since 2017. She has advanced in various roles with the company and held positions from Studio Assistant, Teacher, Manager to her present role as COO. Ms. Hodge is responsible for overseeing all Ritual company operations and the implementation of the company business strategy at every level. Her current position is in Chicago, Illinois. Previously, Ms. Hodge worked in B2B Tech PR in the San Francisco Bay Area.

Garrett Roth - Creative Director/ Chief Marketing Officer

Garrett Roth has been with Ritual Hot Yoga since 2017. He is responsible for managing our marketing efforts and outreach across all media platforms. Additionally, he is a professional photographer and our chief image curator. He provides creative oversight to our brand assets and branding strategy. His position requires him to coordinate his time between our Chicago, Illinois and San Francisco, California locations. Previously, Mr. Roth worked as an Account Executive for Maui Jim.

Marissa Gaulton - Chief People Officer

Marissa Gaulton has been with Ritual Hot Yoga in Chicago, Illinois since 2016 and is responsible for implementing our human resource and talent acquisition strategies. She works closely with the leadership team to maintain Ritual company values and culture across the organization. Previously, Ms. Gaulton worked as a Resource Manager at Signature Consultants and prior to that as a Business Development Manager at Handy HQ.

Sam Jacobs - Chief Product Officer

Sam Jacobs started with Ritual Hot Yoga in San Francisco, California in 2015 as the first full-time teacher with the company and then progressed to the role of Lead Teacher. She is deeply involved in the development of marketing strategies, voice and class offerings for the organization. Before joining Ritual, Ms. Jacobs earned her JD from Yale Law School. As a legal associate, she represented men and women in California and Louisiana, managing complex investigations and litigations of their habeas corpus cases. Ms. Jacobs also has a Master of Fine Arts degree in creative writing.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

Franchise Agreement

Initial Franchise Fee

When you sign your Franchise Agreement with Ritual Hot Yoga, you will pay the initial franchise fee of $40,000 (the "Initial Franchise Fee") to establish a single Studio. The Initial Franchise Fee is due as a lump sum payment upon the signing of the Franchise Agreement. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

There are several circumstances that may occur which could cause the Franchise Agreement that you sign to be cancelled after you have paid the Initial Franchise Fee. Ritual Hot Yoga will have the right, but not the obligation to cancel the Franchise Agreement if: (a) you do not open your Studio within twelve (12) months of the date Ritual Hot Yoga accepts the Franchise Agreement; (b) you do not complete the training program to Ritual Hot Yoga's satisfaction; (c) Ritual Hot Yoga determines that you are using the Franchise Agreement for speculative purposes. If any of these circumstances result in cancellation of your Franchise Agreement, the initial Franchise Fee and Training Fee is non-refundable.

Teacher Training Fee

The $4,000 Teacher Training Fee is due at the time you sign your Franchise Agreement. The Ritual Hot Yoga System requires that your Studio staffing levels meet the brand standards for service. It is recommended that you hire 3 teachers who must complete the Teacher Training Program. This fee covers the cost for 3 teachers, the franchisee and designated manager. You are responsible for the expense of any travel and living expenses for your staff to travel to our designated training location.

Studio Website and Mobile App Setup

Each Studio will have a presence on the corporate website which will provide students/members with details about studio location information, class schedules, teacher profiles and related content. Our proprietary Mobile Studio App will enable students/members to connect with each Studio via a mobile device to register for classes, connect with teachers and share feedback/experiences. The cost of setup is $2,700. The amount paid for the Website and App Setup is (a) due four (4) weeks prior to Studio opening (or as we determine appropriate), (b) non-refundable under any circumstances, and (c) imposed uniformly on our System franchisees.

Studio POS Software Setup

Before you open your Studio, you will be required to install a Studio POS System. We use a third party, web-based Studio POS solution that is customized for our business. Each Studio location must be setup at least 4 weeks before Studio opening. Initial POS setup cost is estimated at $575. This amount may be subject to change by the third party provider and any changes will be passed on to you. The amount paid for the Studio POS Setup is (a) due four (4) weeks prior to Studio opening (or as we determine appropriate), (b) non-refundable under any circumstances, and (c) imposed uniformly on our System franchisees.

Opening Retail Inventory

Prior to opening your Studio, you must purchase opening inventory from us at a cost of approximately $2,500 to $6,000 ("Opening Retail Inventory"), which includes apparel and other branded merchandise that will be available for sale as part of your Approved Products, including t-shirts, towels, exercise clothing and related accessories. The amount paid for the Opening Retail Inventory is (a) due prior to or upon delivery of the Opening Retail Inventory (as we determine appropriate), (b) non-refundable under any circumstances, and (c) imposed uniformly on our System franchisees.

Grand Opening Advertising Support

It is recommended that your Studio Grand Opening advertising and promotion activities begin at least one month prior to your Studio opening. During this time, we will assist you with preparing your advertising content and designing specific promotional campaigns. Our cost of providing you with Grand Opening Support is $3,000. You are responsible for the cost of the required Pre-Opening and Grand Opening advertising and promotion activities as described in Item 7. We may require that you spend some portion of these funds on materials or services that are provided by our then-current Approved Supplier(s) for advertising or marketing. You will continue to conduct all Grand Opening promotion activities for a duration of at least two (2) months. The amount paid for Grand Opening Advertising Support is (a) due six (6) weeks prior to Studio opening (or as we determine appropriate), (b) non-refundable under any circumstances, and (c) imposed uniformly on our System franchisees.

Incentive Programs

We may offer qualified prospective franchisees incentives to purchase or develop new Ritual Hot Yoga Studios, to convert their operating, independent related business to a Ritual Hot Yoga Studio or to purchase a company-owned and operated Ritual Hot Yoga Studio. We may also offer existing franchisees incentives for referring qualified prospective franchise candidates as described above. The incentives offered may include, but are not limited to, reduced or deferred payment of the initial franchise fee and/or contributions toward the purchase of marketing, studio fixtures/displays, product inventory or studio signage. Incentives are not offered to all qualified prospective franchisees, existing franchisees and not for all available Ritual Hot Yoga Studios. We will select the prospective franchisees, existing franchisees and stores to offer these incentive programs that will be based on then-current market conditions. We reserve the right to extend, change or discontinue the Incentive Program at any time.

Veteran Incentive Program

We offer financial incentives to qualified US veterans and individuals currently serving or who have served in the US armed forces under our Veteran Incentive Program. Under the Veteran Incentive Program, we offer a discount on the initial franchise fee as described below.

If you are a US veteran and qualify for the Veteran Incentive Program, you will receive a discount on the initial franchise fee for your Ritual Hot Yoga Studio; as a result, this will reduce the initial franchise fee for your first Ritual Hot Yoga Studio. The terms of the discount may vary by market or support requirements. If the franchisee is a legal entity and not an individual, to meet these eligibility requirements a qualified individual must own at least 50% of the entity.

The Veteran Incentive Program is available to all qualified individuals who either have received an honorable discharge from one of the US Armed Forces (i.e., Army, Navy, Air Force, Coast Guard or Marine Corps) or are currently serving in one of the US Armed Forces and are eligible to receive an honorable discharge. We reserve the right to extend, change or discontinue the Veteran Incentive Program at any time.

Multi-Unit Development Agreement

If we grant you the right to open additional Franchised Businesses under a Multi-Unit Development Agreement, you must pay us a one-time Multi-Unit Development Fee upon executing your Multi-Unit Development Agreement. Your Multi-Unit Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area and is calculated as follows: (1) $70,000 for the right to open two Franchised Businesses; (2) $30,000 per Franchised Business if you agree to open and operate between three and four Franchised Businesses; and (3) $25,000 per Franchised Business if you agree to open and operate between 5-6 Franchised Businesses.

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to open under your Multi-Unit Development Agreement. You will not be required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements.

Your Multi-Unit Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances. The Multi-Unit Development Fee described above is calculated and applied uniformly to all of our franchisees.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty (note 1)	7% of the Gross Sales	Payable weekly	Gross sales include all revenue from the sale of all products and services which are sold from or in connection with the franchise location, less sales tax and collected via ACH or electronic funds transfer debit.
Marketing Fund Fee (note 2)	2% of the Gross Sales	Weekly	This is not required currently, but Ritual Hot Yoga reserves the right to implement this advertising royalty in the future and we may require you to make a contribution up to 2% of the Gross Sales of your franchise location.
Local Advertising Requirement	You must budget a minimum of $4,000 in connection with the promotion of your franchise location within your Designated Territory.	Monthly	You are required to engage in certain local advertising and sales promotion activities at an additional cost to you. These will be primarily online advertising activities. We may require you to spend all or some portion of your Local Advertising Requirement on marketing activities or materials that are provided by our designated supplier for these services. We may require you to provide us with monthly reports detailing your local advertising expenditures.

Type of Fee	Amount	Due Date	Remarks
Studio POS System Fee (note 3)	$660	Monthly	Studio POS System fee. We use a designated supplier for POS services. Fee is paid to us and we pay the supplier; fee may be subject to change by the supplier.
Training Fee	Then-current training fee (our "Training Fee"). Currently, $500 per day per trainer.	Prior to training.	This fee is for any additional training or instruction that we may provide to you on an ongoing basis in connection with the overall operation of your Studio. We may also charge this fee in these situations, (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchise owner and/or manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us, (c) training you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide on-site at your franchise location. In addition to our then-current training fee, you will be responsible for the travel and living expenses that are incurred in connection with you and your staff attending any training sessions.
Additional or Repeat Teacher Training Fee (note 4)	$4,000 or then current initial training fee.	Prior to training	We reserve the right to charge for any additional teacher training that may be required for new or replacement Studio teachers. In addition to our then-current training fee, you will be responsible for the travel and living expenses that are incurred in connection with you and your staff attending any training session.
Advertising Cooperative	As established by the Cooperative	As established by the Cooperative	We may establish advertising cooperatives comprised of Ritual Hot Yoga Studios that are within a given geographical area (each, a "Cooperative"). If a Cooperative is established in an area where your Studio is located, you will be required to participate and contribute at the level

Type of Fee	Amount	Due Date	Remarks
			determined by the Cooperative. Studios owned by us or our affiliates will contribute on the same basis and have the same vote per location as franchisees.
Studio Upgrade	Estimated range of $10,000 - $25,000	5 years; or as needed to meet brand standards	We require that each Studio is maintained at brand standard levels for appearance, interior design and student–teacher experience. You may be required to remodel, upgrade or redecorate your Studio to meet our then-current brand standards or to remedy any non-compliance with brand standards.
Renewal Fee	$10,000	At time of renewal.	You must renovate and reimage the Studio at your expense at the time of Renewal to conform to our then-current brand standards and image.
Transfer Fee under Franchise Agreement	$10,000	Before the transfer.	Payable when you sell the Studio. No charge if the Studio is transferred to a corporation or other entity that you control.
Transfer Fee under Development Agreement	$10,000	On submitting application for consent to assignment	Payable when you want to sell/transfer the rights under your Development Agreement.
Insurance Costs (note 5)	Will vary by location	Paid to insurance provider.	We may modify insurance requirements periodically in our Manual.
Audit Fees (note 6)	$500 - $2,500	Within 15 calendar days after receipt of audit report.	Payable only if audit shows an understatement of Gross Revenue for the audited or reviewed period of 2% or more.
Late Fees	The greater of the highest applicable legal rate for open account business credit, or 1.5% per month.	Upon demand.	Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of $50 for each late payment or late report. (The maximum interest rate in California is 10% annually.)

Type of Fee	Amount	Due Date	Remarks
Penalty Fee	Fee charged by us for each day of non-compliance, currently $100.	Upon demand.	Payable only in the event you fail to comply with your material obligations under your Franchise Agreement by (a) permitting anyone other than an Approved Instructor at your Studio to provide any fitness instruction or other Approved Services, or (b) offering or selling any unauthorized products or services at your Studio. The Penalty Fee will be incurred during each day of non-compliance.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement, if we prevail.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Studio (subject to applicable state law).

Notes to Item 6 Chart:

General Note. All fees are uniformly imposed by and are payable to us, unless otherwise noted. We may also collect fees for third party service and product providers. Third party providers may increase fees which we will pass on to you. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements.

1. Gross Sales. Except as provided below, the term "Gross Sales" means the total revenues you derive, directly or indirectly from the sales of classes, products, related services, and all business conducted upon, from or in connection with the Studio, less sales taxes or similar taxes imposed by governmental authorities. (See Section 5 of the Franchise Agreement).

   We collect fees payable to us via the Automated Clearing House ("ACH") electronic funds transfer program. All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized ACH payment on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Marketing Fund contributions. Under such circumstances, you will be required to adjust, or "gross up" your payment to us to account for these taxes.

2. Marketing Fund. We reserve the right to establish a fund designed to market and otherwise develop the brand, Marks, System, Studios and/or Approved Services (the "Marketing Fund"). When we establish a Marketing Fund, we may require you to make a Fund Contribution as described above.

The Marketing Fund may be used for product and technology development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Ritual Hot Yoga Studios; agency and consulting services; research; and any expenses approved by us and associated with your Studio. We will have sole discretion over the Marketing Fund. You must pay for your own local advertising.

3. Business Management Software Fee. We will make available to you a business management software program that you will use in the operation of your Studio. You will pay us directly for all fees associated with the use of the software and we will pay the vendor. We have the right to access any and all information stored in the program that pertains to the Studio through file transfer protocol or polling through the Internet, at our discretion.

4. Additional or Repeat Teacher Training Fee. The teacher training program is required and included in your initial training fee. The initial fee covers the cost for 3 teachers, the franchisee and designated manager. We reserve the right to charge this teacher training fee any time you have a new designated and approved owner, or operations manager to whom you delegate the day-to-day operations of the studio, or we require any person from your studio to retake the teacher training program. You will be responsible for all travel and living expenses for all persons attending the teacher training program. The fees for the teacher training program may change in the future.

5. Insurance Policies. The minimum limits for coverage under many policies will vary depending on various factors, including where you are located and the size of your Studio.

   You must maintain, at your own expense, insurance policies protecting you, us, our designated affiliates and these parties' shareholders, officers, directors, employees and agents against any loss, liability, personal injury, death, property damage, data security breach, employment claims, or expense resulting from the operation of your studio and all services you provide in connection with the operation of your studio as we may require for your and our protection in amounts set forth in our Manual and franchise agreement (which we may adjust from time to time).

   You must also procure and maintain all other insurance required by state or federal law, such as worker's compensation insurance and unemployment insurance. If you fail to purchase insurance as required in our confidential Manual, we have the right to purchase it on your behalf and to charge you an administrative fee of up to 18% of the cost of buying the insurance for you.

6. Audit Fees. In the event that an audit discloses an understatement of Gross Sales or other discrepancy, in addition to the cost of the audit, you will be required to pay the marketing due on the amount of such understatement, plus late fees and interest.

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ITEM 7: ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$40,000	$40,000	Lump sum	Upon execution of the Franchise Agreement	Us
Training Fee (Note 2)	$4,000	$4,000	Lump sum	Upon execution of the Franchise Agreement	Us
Travel & Living Expenses while Training (Note 3)	$0	$4,000	As arranged	As incurred	Airlines, Hotels and Restaurants
Real Estate/Lease (Note 4)	$8,000	$30,000	As arranged	As incurred	Landlord
Leasehold Improvements (Note 5)	$73,800	$159,300	As arranged	As incurred	Approved Suppliers, Architects, Contractors
Interior Signage & Graphics (Note 6)	$4,750	$7,000	As arranged	As incurred	Approved Suppliers
Exterior Signage (Note 6)	$4,000	$8,000	As arranged	As incurred	Approved Suppliers
Insurance (Note 7)	$1,200	$3,000	As Arranged	As incurred	Insurance Carrier
Utility Deposits	$300	$600	As arranged	As incurred	Utility Suppliers
Licenses and Permits (Note 8)	$1,000	$3,000	As arranged	As incurred	Local, State or Federal Government
Studio Furniture/Equipment Branding Package (Note 9)	$13,695	$24,230	As arranged	As incurred	Approved Suppliers

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Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Specialty Equipment (Note 10)	$14,630	$15,200	As arranged	As incurred	Us and other Approved Suppliers
Studio Audio Visual System Package and Music Service (Note 11)	$8,800	$10,560	Lump Sum	Before Opening	Us and other Approved Suppliers
Computer System (Note 12)	$700	$1,700	As arranged	As incurred	Approved Suppliers
POS Software/ Equipment (Note 12)	$625	$750	Lump sum	Before Opening	Us and other Approved Suppliers
Studio Technology Package (Note 12)	$660	$660	As arranged	As incurred	Approved Suppliers
Studio Website and Mobile App Setup (Note 13)	$2,700	$2,700	Lump sum	Before Opening	Us
Opening Retail Inventory (Note 14)	$3,000	$8,000	Lump Sum	Before Opening	Us and other Approved Suppliers
Shipping (Note 15)	$0	$2,000	As arranged	Before Opening	Us and other Approved Suppliers
Pre-Opening Marketing and Grand Opening Advertising (Note 16)	$18,000	$26,000	As arranged	Before Opening and as incurred	Approved Suppliers and Vendors
Additional Funds - First 3 Months (Note 17)	$100,000	$150,000	As arranged	As incurred	Employees, Vendors, Utilities

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Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Total Estimated Initial Investment (Note 18)	$299,860	$500,700			

Notes to Table in Item 7:

General Note: We are relying on our years of experience in Studio operations and the Yoga teaching business to compile these estimates. It is impossible to provide the exact investment required of each franchisee due to the many factors that influence the total project costs, such as location, amount of space leased, and other costs peculiar to a specific site. The initial investment will vary considerably depending on the methods and amount of financing, your creditworthiness, collateral you may have and the lending policies of financial institutions. We do not offer financing in connection with the investment, but may assist you in locating financing. None of the fees payable to us are refundable, unless otherwise specified. Amounts payable to suppliers are refunded according to arrangements that you make with each supplier.

1 Initial Franchise Fee. The Initial Franchise Fee is non-refundable. We do not finance any fee.

2 Training Fee. This fee is due at the time you sign your Franchise Agreement. The fee covers the cost for 3 teachers, the franchisee and a designated manager. The Teacher Training fee is non-refundable.

3 Travel and Living Expenses While Training. This estimate is designed to cover the costs and expenses you might incur in connection with you, your designated manager and teachers attending and completing the required initial training described more fully in Item 11 of this Franchise Disclosure Document. The typical costs and expenses associated with attending this training include transportation, meals, lodging and other expenses. The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed. Training will take place at a location designated by us.

4 Real Estate/Lease. In most cases, you will lease Studio space. This estimate assumes that you will lease a premises that will range in size between 2,000-4,000 square feet. In certain circumstances we may approve a smaller or larger space depending on the unique characteristics of the location or local trade area. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Studio, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. Some Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. You will also likely be required to pay a security deposit. This estimate assumes your security deposit will amount to approximately one (1) month of rent.

5 Leasehold Improvements. The cost of leasehold improvements will vary depending on: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); (iii) the need for soundproofing; and (iv) the

cost of materials and labor which may vary based on geography and location. You will be required to follow our prototypical plans and specifications for the construction and finish-out of the Studio, including approved flooring, mirrors and paint. This estimate includes the cost of installing certain of the furniture, equipment or fixtures required to complete the build-out of your Studio. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. It is also possible, that these amounts may vary depending upon terms of the lease that certain costs may be incurred by the landlord and allocated over the term of the lease.

6 Interior and Exterior Signage, and Graphics. This is a range of expenses that will be incurred when purchasing the required interior signage and graphics for your Studio. You will purchase all signage and graphics directly from our Approved Supplier. The cost of your signage may be more or less than this estimate, and depends on the number, size, type and method of installation you choose. Each landlord has different restrictions it places on interior and exterior signage that may affect your costs. Exterior signage costs may also be subject to local municipal and ordinance requirements, and may require additional permit costs.

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

8 Licenses and Permits. The range of costs covers the expense to acquire typical local business permits. Our estimate includes building permits, fire inspection, sales tax related permits, and retail sales related permits. If additional or special use permits are necessary, the cost may be more. It is recommended that you investigate the related costs of permit requirements for your area as costs for typical and special use permits may vary by location.

9 Studio Furniture/Equipment Branding Package. This is a range of expenses you will incur when furnishing and decorating your Studio. We will provide you with the specifications and approved suppliers for the furniture, fixtures, and related accessories to furnish and decorate your Studio. The amount may vary based on the size and characteristics of your Studio space and location.

10 Specialty Equipment. The initial required amount for a standard Studio typically includes various fitness and exercise related equipment/supplies for use in connection with providing approved Studio services. The amount of equipment may vary based on the size and layout of your Studio. We will provide you with the specifications and approved suppliers.

11 Studio Audio Visual System Package and Music Service. Each Studio is required to install a professional audio and sound media system. The Studio Audio Visual System Package includes items related to the audio and visual system components: monitor/video display(s), speaker system, wireless headset(s), AV receiver and control system which are necessary to provide the Approved Studio Services. This estimate includes delivery and installation. You must currently purchase the Studio Audio Visual System Package according to our specifications from our approved supplier; we reserve the right to designate another approved supplier in our sole discretion.

You will be required to play music during the classroom programs as specified in our Manual. This requires acquiring a special license from the American Society of Composers, Authors and Publishers ("ASCAP"). The estimated annual cost for this music service license is approximately $600-$700. We reserve the right to designate another approved supplier in our sole discretion.

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12 Computer, POS System and Studio Technology Package. You will need a computer system and a Point of Sale system ("POS") for use in the operation of the Studio. Your computer system must include at least one personal computer and two tablet devices; and a high speed connection to the Internet. For POS hardware, you will need to purchase a credit card reader/swiper or terminal device to process credit or debit payments.

We use a third party, web-based Studio POS solution that is customized for our business. This POS and Studio management software program will be set up for your location and uploaded onto your system. You will pay us for the POS system setup before your Studio opens for business and for all fees associated with the use of the software. We will pay the POS provider. The POS System setup fee is non-refundable. (Please see Item 6 of this Franchise Disclosure Document for the fee amount and more details on the software.)

The Studio Technology Package includes least one surveillance camera which is required to be installed in the Studio. The camera(s) must be web accessible. The purpose of the camera(s) is to monitor Studio service quality, safety and for use in teacher training. We have the right to also review and monitor the camera(s) and to ensure compliance with the System. You are responsible for ensuring customer and employee consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera. (Please see Item 11 of this Franchise Disclosure Document for more information on the Computer, POS System and Studio Technology.)

13 Studio Website and Mobile App Setup. Your Studio will have a presence on the corporate website which will provide students/members with details about studio location information, class schedules, teacher profiles and related content. Our Studio Mobile App will enable students/members to connect easily with each Studio via their mobile device. You will pay us for the Studio Website and Mobile App setup before your Studio opens for business. This setup fee is non-refundable. (See details in Item 5 of this Franchise Disclosure Document for more information.)

14 Opening Retail Inventory. We require that you maintain a retail inventory and display items for-sale in your Studio including t-shirts, towels, exercise clothing and related accessories. We will provide you with a list of Approved Products and a recommendation for your opening retail order. Approved Products will include a mix of Ritual Hot Yoga branded merchandise as well as other branded merchandise. Payment for the Opening Retail Inventory order is due before you open your Studio and is non-refundable.

15 Shipping. You or we may arrange for the shipping of certain required items, such as equipment, furniture or fixtures. Shipping amounts may vary based upon the location of your Studio.

16 Pre-Opening Marketing and Grand Opening Advertising. You will be required to establish a Grand Opening budget for advertising and promoting the opening of your Studio in the month(s) immediately preceding and following your opening, as described more fully in Item 11 of this Disclosure Document. We will assist you with preparing your advertising content and designing specific promotional campaigns. The cost to provide this support and for the minimum required Grand Opening advertising and promotion activities ranges between $18,000 and $26,000. This includes our support fee of $3,000. We may require that you spend all or some portion of these funds on materials or services that are provided by our then-current Approved Supplier(s) for advertising or marketing. You will pay us the amount for our support services six weeks prior to Studio opening. The amount paid for Grand Opening Support is non-refundable. It is recommended that your promotion activities begin at least one month prior to your Studio opening and continue for a duration of at least two (2) months.

17 Additional Funds – First Three (3) Months. This is an estimate of certain funds needed to cover

your business (not personal) expenses during the first three (3) months of operation of the Studio. These expenses include initial employee wages; ongoing purchases of equipment and supplies; marketing expenses/fees and local advertising; ongoing utilities; and repairs and maintenance. Your costs will depend upon your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and sales of the Studio reached during the period. This amount does not represent that you will attain any level of profitability by a certain stage of your Studio business operation.

18 Total Estimated Initial Investment. This total assumes that the real property for the Franchised Unit will be leased by you. Amounts for the lease depend on factors such as rental rates and land and building costs in your area, and whether or not the landlord requires you to pay first and last month's rent in advance. The total listed above does not include compensation for your time or labor or any return on your investment. Your costs will vary depending on such factors as: the location and size of the Studio, how closely you follow the System; your management and marketing skills, experience and general business ability; and local and general economic and market conditions, including disposable income. You should review these figures carefully with a business advisor before making any investment decision.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to maintain the reputation, goodwill, high standards, quality and uniformity of the Franchised System, there are certain goods, services, supplies, fixtures, equipment, inventory, computer hardware and software and real estate ("Products and Services") that you are required to purchase or lease directly from us, from our designated sources, from our approved suppliers or according to our specifications. You are required to operate your Franchised Business according to the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services

You may only market, offer, sell and provide the Approved Services, as well as any related merchandise and other products that we authorize for sale in conjunction with the Approved Services (the "Approved Products") at your Franchised Business in a manner that meets our System standards and specifications. We will maintain a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an "Approved Supplier"), which may include us or our affiliate(s). We will maintain a list of our Approved Suppliers in writing as part of the Manuals or

otherwise in writing, and we may update or modify this list as we deem appropriate.

Currently, we have Approved Suppliers for the following items that you must purchase in connection with the establishment and/or operation of your Franchised Business: (a) Opening Retail Inventory; (b) the Initial FFE Package; (c) the POS System, security system components and audio/visual equipment package described more fully below in this Item 8; (d) certain other exercise equipment/supplies; (e) interior graphics and exterior signage; (f) training materials, including the online component of the Teacher Training Program; (g) site selection assistance services; (h) construction management, as well as architectural and/or design-related services associated with the buildout of your Studio; (i) flooring, mirrors, water filtration system and certain other installation and/or buildout materials; (j) then-current software we require you to use in connection with your POS System, Payroll Service, Accounting Application, Merchant Payment Processing, Studio Management Software and/or otherwise helping manage your Studio and/or schedule clientele; and (k) certain advertising and marketing services.

We may develop proprietary products for use in your Franchised Business, including private-label products that bear our Marks, and require you to purchase these items from us or our affiliate(s).

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item. We may provide our standards and specifications for our Approved Services and/or Approved Products directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: we approve the supplier in writing as outlined more fully in this Item; and the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

We reserve the right to designate us or any of our affiliates as an Approved Supplier with respect to any item you must purchase in connection with your Franchised Business in the future.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, review your request for approval to: offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to submit a request for approval, you must obtain our approval in writing before: (a) using or offering the non-approved product or service in connection with your Franchised Business; or (b) purchasing from a non-approved supplier. We may charge our then-current supplier or non-approved product evaluation fee when submitting your request, as well as cover our costs incurred in evaluating your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or 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 product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products and/or services, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (although are not required

to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases."

We and our affiliates reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business. As of the Issue Date of this Franchise Disclosure Document, neither we nor our affiliates have derived any revenue or other benefits from our suppliers or franchisees' required purchases in the past fiscal year.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Studios in our System. If we do establish those types of alliances or programs, we may: (a) limit the number of approved suppliers with whom you may deal; (b) designate sources that you must use for some or all products, equipment and services; and (c) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We reserve the right to create additional purchasing cooperatives in the future. We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment needed to operate the Studio.

Audio Visual and Computer Equipment

You must purchase a computer system, including computer hardware, software, point of sale system, inventory control systems, tablet(s) and high-speed network connections (collectively, the "Computer System"), as well as the audio visual equipment, including monitor/video display(s), speakers, cabling, mounts and other related equipment (collectively, the "Studio Audio Visual System"), that we specify. The component parts of the Studio Audio Visual System must be purchased according to our specifications. Any related Audio Visual System third-party software must be licensed directly from the designated vendor. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any

related software maintenance agreements. The Computer System is described in more detail in Item 11 of this Disclosure Document.

Music

We require that you play music in the Studio and as part of the classroom programs according to the guidelines and requirements that we specify in the Manual. We currently require that you obtain a license from the America Society of Composers, Authors and Publishers ("ASCAP") for this purpose. You will obtain the license directly from ASCAP and pay an annual licensing fee to ASCAP. The amount of the licensing fee will be determined using ASCAP's licensing rates, and we estimate the current annual cost for a Studio is approximately $600-$700. In the future, we may require you to use a different music or licensing vendor.

Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

Insurance Requirements

You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement.

The cost of your insurance coverage will vary depending on the insurance carrier's charges, the terms of payment, and your insurance history. You must also carry the insurance required by your landlord and applicable law. We may specify an insurance agency or insurer as the designated supplier for this service. You must name us as an additional insured. All insurance policies must be update and/or renewed yearly and evidence of such provided to us through our Intranet portal.

Your obligation to obtain and maintain the policies that we require, in the amounts specified, will not be limited in any way by reason of any insurance maintained by us, nor will your performance of that obligation relieve you of your liability under the indemnity provisions in the Franchise Agreement. If you fail to procure or maintain the insurance that we require, we may (but are not obligated to) obtain the required insurance and charge the cost of the insurance to you, plus a reasonable administrative fee

The insurance policy or policies must be written by a responsible A+ rated carrier reasonably acceptable to us or by our preferred insurance company, name us (or our designated affiliate) as an additional insured, and include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified by us from time to time), in accordance with our written standards and specifications, as described in the following table.

Insurance Coverage Summary

	Type of Insurance Coverage	**Amount of Coverage**
A	Commercial General Liability including Product Liability and Personal and Advertising Injury	$1,000,000 per occurrence, $2,000,000 in the aggregate
B	Fire Damage to Rented Premises	$500,000
C	Medical Expenses (per individual)	$5,000
D	Professional liability (for owners and employees) including abuse and molestation	$500,000 per occurrence
E	Hired and Non-owned Auto Liability – if required	$1,000,000 per claim
F	Property - Special Form, including mechanical breakdown – must be 100% replacement cost with no co-insurance	Subject to actual cost of business property at location
G	Improvements and Betterments – must be 100% replacement cost with no co-insurance	Amount based on actual costs of Improvements and Betterments
H	Business Income (12 months)	Actual loss sustained
I	Crime (employee dishonesty, theft, and robbery)	$10,000 per occurrence
J	Cyber Liability (Internet security and privacy insurance)	$25,000 per occurrence and in the aggregate
K	Employment Practices Liability Insurance	$1,000,000 per occurrence and $1,000,000 in the aggregate
L	Deductible	$5,000 max
M	Defense Costs	Included in policy liability limits
N	Commercial Umbrella Liability	$4,000,000 per occurrence and $4,000,000 in the aggregate
O	Workers Compensation	$1,000,000 per occurrence
P	Employers Liability or ‘Stop Gap’ Insurance	$1,000,000 per occurrence; $2,000,000 in the aggregate

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ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Sections 1.2, 6.1, 6.2, and 7.2	Section 3(e)	Items 8, 11 and 12
b. Pre-opening purchases/leases	Sections 5.4, 6.1, 6.2, 7.2, 7.3, and 8	Not Applicable	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 6.1, 6.2, 6.3, 7.1, 7.3, 7.4, 8.5, 9.2 and 10.4	Sections 3, 4 and 6	Items 7, 8 and 11
d. Initial and ongoing training	Sections 5.5 and 6.3	Not Applicable	Items 6, 7 and 11
e. Opening	Sections 2.2 and 6.9	Section 4, Exhibit B	Item 11
f. Fees	Sections 3.2., 5, 9.1, 14.3	Section 3	Items 5, 6 and 7
g. Compliance with standards and policies / Operating Manual	Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8, 9.3 and 10	Sections 4 and 6	Items 8 and 11
h. Trademarks and proprietary information	Sections 1.1, 4 and 12	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4	Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Sections 8.3, 8.8 and 15.2B(13)	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Sections 1.3 and 8.8	Sections 1, 3, 4 and Exhibit B	Item 12

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
l. Ongoing product/service purchases	Sections 8.4 and 10.3	Not Applicable	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3.2.D. and 7	Not Applicable	Items 6 and 17
n. Insurance	Section 10.4	Not Applicable	Items 6, 7 and 8
o. Advertising and Marketing Fund	Sections 5.4 and 5.6	Not Applicable	Items 6, 7 and 11
p. Indemnification	Section 8.5 and 11.2	Section 12	Item 6
q. Owner's participation/ management/staffing	Sections 6.3, 8.3 and 8.6	Section 6	Items 11 and 15
r. Records and reports	Sections 10.1 and 10.3	Not Applicable	Item 11
s. Inspections and audits	Sections 8.2 and 10.2	Not Applicable	Items 11
t. Transfer	Section 14	Section 9	Items 6 and 17
u. Renewal	Section 3.2	Not Applicable	Item 17
v. Post-termination obligations	Sections 13.1 and 15.4	Section 10	Item 17
w. Non-competition covenants	Sections 12.2 and 13	Section 10	Item 17

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Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
x. Dispute resolution	Section 16	Section 19	Item 17
y. Other: Guarantee of Performance	Section 2.2B and Exhibit 4	Section 20 and Exhibit C	Item 15

ITEM 10: FINANCING

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

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

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

A. Pre-Opening Assistance

Before you open the Studio, we will:

1. Upon signing of your Franchise Agreement, provide you with a designated territory for your Studio franchise location and offer our site selection assistance as described in "Site Selection Assistance" section below. If you enter a Development Agreement, we will designate your Development Area.

2. Make available training programs for you, your manager and three (3) teachers within the 30-60 day period prior to the opening date of the Studio, subject to the availability of our training staff. Our training program and teacher training program is described below. You must pay for all expenses you, your manager and other personnel incur for any training program, including costs of travel, living expenses and wages. If either you, your manager or teaching staff do not satisfactorily complete the initial training, we may require additional training at your cost, or we may terminate the Franchise Agreement, as determined by us.

3. Loan you a copy of, or provide access to our Brand Standards and System Manual ("Manual"), which contains mandatory and suggested specifications, standards and operating procedures. The Manual is confidential and remains our property (Franchise Agreement, Section 6.4). The Table of Contents of the Manual is attached to this Disclosure Document as **Exhibit G.**

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

5. Within 30 calendar days of execution of your Franchise Agreement, provide you (through the Manual or otherwise) with a list of studio furnishings, accessories, fixtures, specialty equipment, signs and recommended branding elements to be used in the Studio, as well as certain other Required Items, such as inventory or supplies needed prior to opening and a list of Approved Suppliers. You will be responsible for any related shipping and installation costs.

6. License you the use of our then-current trademarks, subject to the terms and conditions of your Franchise Agreement with us. (Franchise Agreement, Section 4)

7. Consult with and advise you on the advertising, marketing and promotion associated with the grand opening of your Studio, as described more fully below.

B. Our Continuing Obligations

During the operation of the franchised business, we will:

1. Specify or approve certain equipment and suppliers to be used in the franchised business. (Franchise Agreement, Sections 7 and 8, and Manual)

2. Provide additional training to you and your personnel at your request, including the Teacher Training Program as necessary for new and replacement teachers and operator training to provide to new and replacement managers of your Studio. You are responsible for any and all training fees and costs associated with such additional training, including travel and living expenses for personnel, if applicable. (Franchise Agreement, Sections 5.5 and 6.3)

3. Pass the cost onto you of any insurance coverage we may procure on your behalf, if you do not obtain and maintain appropriate insurance coverage. (Franchise Agreement, Section 10.4)

4. Monitor customer satisfaction through various programs and/or quality control measures. (Franchise Agreement, Section 8.2)

5. Counsel with and guide you on teaching methods, our specifications and standards, studio management and operating procedures, approved equipment, products, materials and supplies, fixtures, furnishings and signs. We will continue to advise you on developing and implementing local advertising and promotional programs. We will provide this guidance through our confidential manual, training programs, consultation or other methods of communication.

6. Provide ongoing Studio marketing and technology support that includes creative assistance for signage and promotional collateral material, website support, Studio mobile application and Studio social media account management. We do not currently charge a fee for Studio marketing and technology support, but we reserve the right to do so in the future.

7. Conduct monthly Studio operations review and consultation sessions with your Studio manager which includes guidance for instructor mentoring. We do not currently charge a fee for Studio consultation sessions, but we reserve the right to do so in the future.

8. After establishing a marketing fund, maintain and administer the fund as described more fully in the "Advertising and Marketing" section below (the "Marketing Fund"),

C. Site Selection Assistance

Within your designated territory, you will select your Studio location subject to our approval. Our standard franchise offering assumes a Studio size of approximately 2,000 to 4,000 square feet. In certain circumstances we may approve a smaller or larger space depending on the unique characteristics of the location or local trade area. Studios are generally located in a primary retail location or on a street with high visibility, moderate pedestrian traffic and easy parking or public transportation.

We may provide assistance in finding a Studio location, as we deem reasonable and appropriate. This may include providing you with current site selection guidelines, site selection counseling, referrals to local real estate brokers/professionals, lease negotiation assistance and on-site evaluations. We may charge you to cover our reasonable costs and expenses in providing any on-site assistance. We may require you to conduct, at your expense, an evaluation of the demographics of the market area for the proposed franchise location to determine if your selected location meets our then-current recommended standards for population demographics and retail location characteristics. Our site and market area criteria, and our evaluation methods, may vary periodically and from location to location. We will review and approve or disapprove the proposed Studio location within approximately 30 days of receiving your request for site review.

You are required to select your Studio location within your designated territory through a lease or purchase and open for business within six (6) months from the date you sign a Franchise Agreement. If you have not acquired an approved Studio location within six (6) months of the effective date of the Franchise Agreement and are continuing to actively search for a site, we may in our sole discretion agree to extend the deadline for you to find an approved Studio location. We may decide to terminate the Franchise Agreement at any time after six (6) months if you fail to locate a Studio location that we approve.

You must assume all costs and expenses associated with locating the premises for your Studio location, obtain all required construction/build-out licenses and ensure the Premises comply with all local ordinances, building codes and meet our system specifications. You must obtain our written consent for your Studio location before signing a lease or purchase contract. You and your landlord are required to enter into a lease rider, granting us the right to assume or reassign the lease upon your default of the Franchise Agreement or lease, among other terms.

Time to Open: Franchise Agreement

We will authorize the opening of your Studio when (i) all of your pre-opening obligations have been fulfilled, (ii) pre-opening training has been completed, (iii) all amounts due us have been paid, (iv) copies of insurance policies and other required documents have been received by us, and (v) all permits have been approved. The length of time between the signing of the Franchise Agreement and the time you open your Studio is approximately six (6) months. Your total timeframe may be shorter or longer depending on various factors related to securing and preparing the location for the franchised business. At our discretion, we may extend the period of time to open your Studio. We require that you open your franchised business within six (6) months of executing your Franchise Agreement, or within the extension period we may allow in certain instances.

Time to Open: Multi-Unit Development Agreement (if applicable)

If you have entered into a Multi-Unit Development Agreement, your Development Schedule will contain information about the timeline by which you must have each Studio open and operating. (Development Agreement, Exhibit A). We will approve sites for additional Studio locations developed under your Development Agreement using our then-current site selection criteria.

D. Advertising and Marketing

Pre-Opening and Local Advertising Requirement, Co-Ops and Marketing Fund

You are responsible for local marketing activities to attract members to your Studio. As part of your material obligations under your Franchise Agreement, you must expend at least $4,000 per month on marketing and advertising materials that we approve in connection with the promotion of your Studio within your Designated Territory (your "Local Advertising Requirement"). We require that you use the marketing/advertising services of our Approved Supplier for the first two years. After two years, you may change the marketing/advertising service provider. The service provider must meet with our approval. We may continue to require you to spend some portion of your Local Advertising Requirement on marketing activities or materials that are provided by our designated supplier for these services. Upon our request, you must provide us with an accounting of your monthly expenditures associated with your Local Advertising Requirement, along with invoices and other relevant documentation to support those expenditures. The Local Advertising Requirement is the minimum amount you must expend each month; you may expend additional amounts on the local promotion of your Studio. We are not required to spend any amount on advertising within your Designated Territory. (Franchise Agreement, Section 9.2)

We require that you submit samples of all advertising and sales promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, Social Media, print or otherwise for our review and approval. You may advertise Studio services only via approved methodologies and channels, as described in our Manual. You must first obtain our advanced written approval before employing any form of co-branding, or advertising with other brands, products or services. You must strictly follow the social media guidelines, code of conduct, and etiquette as set forth in the Manual regarding social media activities. Any use of Social Media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. You will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual.

Pre-Opening Marketing and Grand Opening Advertising

In addition to the Local Advertising Requirement, you will be required to expend a minimum of $18,000 - $26,000 in connection with the opening of your Studio. This includes our support fee of $3,000. (See Item 7) You may be required to expend all or some portion of these funds on products/services received from an Approved Supplier we designated or approve, and all materials used in connection with your grand opening campaign must be approved by us if not previously designated for use. We expect that you will typically be required to expend these amounts in the 30-60 days prior to opening and in the 30-day period following opening. (Franchise Agreement, Section 9.2)

Local Advertising Co-op and Advertising Council

As of the Issue Date, we have not yet established a local or regional advertising marketing fund or cooperative and we have not created any advertising council composed of franchisees. We may, in the future, decide to form one or more associations and/or sub-associations of Ritual Hot Yoga Studios to conduct various marketing-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local, regional and/or national) are formed covering your area, then you may be required join and actively participate. All Studios in the designated area may be required to contribute such amounts as are determined from time to time by such Co-Ops.

Marketing Fund

We reserve the right and intend to establish a Marketing Fund as previously disclosed in Item 6 of this Disclosure Document to promote the brand, Marks, System, Studios and/or Approved Services how we determine appropriate in our discretion.

When we establish such a Fund, we may require you to make a Marketing Fund Contribution each payment period amounting to up to two percent (2%) of the Gross Sales of your Franchised Business. Franchisor will give Franchisee sixty (60) days' written notice before the Fund is established or with regards to any increase in your Fund Contribution. (Franchise Agreement, Section 9.1)

The Marketing Fund will be administered by us once established as we deem appropriate. The Marketing Fund will be maintained and operated by us to meet the costs of conducting regional and national advertising and promotional efforts, other brand development activities, as well as related technology used to implement the foregoing (i.e., digital marketing platform, System web portal) that we determine beneficial to the System. We will direct all public relations, advertising and promotions with sole discretion over the message, creative concepts, materials and media used in the programs and the placement and allocation thereof. We will pay for these activities from the Marketing Fund. The Marketing Fund contributions may be used for traditional and digital advertising activities, such as website development, social media, public relations, advertising campaigns (television, radio, print or other media), or other promotions which will raise awareness of the Ritual Hot Yoga brand.

Reasonable disbursements from the Marketing Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising and promotional campaigns; and the reasonable costs of administering the Marketing Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Marketing Fund. We may audit the Marketing Fund, but we are not required to do so. Otherwise, we will prepare and make available to our franchisees, upon request, a basic, unaudited accounting of the Marketing Fund for a given fiscal year after 120 days have passed since that year end.

We may also establish a marketing fund committee to help advise on matters related to the Marketing Fund. In the event we establish the marketing fund committee, the Marketing Fund will still be administered by us with the marketing fund committee serving in an advisory capacity. We will have the power to form, change or dissolve the Marketing Fund and/or marketing fund committee. We are not obligated to ensure that Marketing Fund activities or dollars are spent equally, on a *pro rata* basis, either on your Studio, or all Studios in an area. We may include a brief statement regarding the availability of system franchises in advertising and other items produced using the Marketing Fund, but we will not otherwise use the Marketing Fund to pay for franchise sales or solicitations. Any company-owned or affiliate-owned Studios we may open will contribute to the Marketing Fund at the rate stated in our Franchise Disclosure Document. We have the right to modify the contribution and participation from company-owned or affiliate-owned Studios.

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

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

As of the Issue Date of this Disclosure Document, no such Marketing Fund is established and no Marketing Fund contributions were taken or expenditures made.

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E. Training

Before the opening of your Studio, we will provide you, your designated Studio Manager, Teachers and Staff with a mandatory Initial Training Program at a training location determined by us.

You must ensure that: (i) you and/or your Designated Operator complete the Owner Training portion of the initial training program described below; (ii) your Designated Manager and/or you and your Designated Operator complete the Manager Training portion of the initial training program described below, which will typically last approximately five (5) business days; (iii) your prospective Authorized Ritual Teachers (4 individuals; one is also the Designated Manager) have each completed a Third-Party RYT Program and also complete the Ritual Teacher Training Program we have developed which is described below. The Owner Training, Manager Training and Ritual Teacher Training portions of the initial training program will take place at our corporate location, in Chicago, IL or San Francisco, CA, or another location we designate. We require that the Owner and Manager training is scheduled at least six (6) weeks prior to Studio opening and the Teacher Training is scheduled at least four (4) weeks prior to Studio opening. These training requirements must be satisfied to our satisfaction prior to the opening of your Studio. (Franchise Agreement, Section 6.3)

We recommend that you or your Designated Operator also complete the Manager Training to be well prepared on all fronts to run a Ritual Studio Franchise. In the event you are the owner of multiple Studios or otherwise wish to appoint a third-party individual to manage the day-to-day operations of your Studio, then that Designated Operator must complete the Owner Training portion of training described below and be approved by us before assuming any management responsibility at your Studio. (Franchise Agreement, Section 6)

The tuition or training fee for you or your Designated Operator, and your Designated Manager to attend the Owner and Manager assigned training program module(s) is included in your initial training fee and due at the time you sign your franchise agreement; these individuals must attend at the same time and prior to the opening of your Studio. You will be responsible for the costs and expenses associated with these individuals attending this initial training. (Franchise Agreement, Section 5.5)

Training requirements are communicated and updated through periodic memos, publications and manuals. Our primary initial training programs as of the Issue Date of this Disclosure Document are described below, certain portions of which may be provided via online, remote instruction via webinar or similar method.

TRAINING PROGRAM(S)

I. Owner-Operator Training
(to be completed by Franchisee(s)and if applicable, Designated Operator or Designated Studio Manager)

An all-encompassing training curriculum that integrates the business and cultural side of owning a Ritual Studio. This deep dive into our systems and studio planning tools includes comprehensive training in operations, finance, sales, marketing, product management, brand and culture.

Owner/Operator Training			
Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location**
Finance / Sales	2		Ritual Hot Yoga Designated Location
Operations	2		Ritual Hot Yoga Designated Location
Marketing	2		Ritual Hot Yoga Designated Location
Brand / Culture	2		Ritual Hot Yoga Designated Location
Total Owner Training Hours	**8**		

II. Manager Training Module

Manager training will take your potential manager(s) through the Ritual Pillars and familiarize them with the company culture and all the necessary platforms, products and systems used to maintain company standards and grow membership. Your selected studio manager(s) will be trained on the tools needed to manage the studio effectively and efficiently.

Manager Training			
Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location**
Operations	4		Ritual Hot Yoga Designated Location
Product	8		Ritual Hot Yoga Designated Location
People / Hiring	4		Ritual Hot Yoga Designated Location
Finance	8		Ritual Hot Yoga Designated Location
Marketing	4		Ritual Hot Yoga Designated Location
Systems	4		Ritual Hot Yoga Designated Location
Shadowing		8	Ritual Hot Yoga Designated Location
Total Manager Training Hours	**32**	**8**	

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III. Teacher Training

Teacher Training will accustom your teaching staff in the unique Ritual style where we cue, move and breathe to the beat of the music. This rigorous training will prepare teachers to safely and effectively cue their students while providing an exemplary class experience.

Teacher Training			
Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location**
Ritual Style Manual	2		Ritual Hot Yoga Designated Location
Sample Sequence Training	18		Ritual Hot Yoga Designated Location
Self-Practice	10		Ritual Hot Yoga Designated Location
Partner Teaching	5		Ritual Hot Yoga Designated Location
Test Out	4		Ritual Hot Yoga Designated Location
Pillars	8		Ritual Hot Yoga Designated Location
Total Teacher Training Hours	**48**		

Ritual Training Team

Ritual Training is managed by Irene Hodge, our Chief Operating Officer, Sam Jacobs our Chief Product Officer and Lindsey Kaalberg, our Chief Executive Officer. Our Ritual Training Team has between 2 and 5 years of Ritual classroom teaching experience and over 5 years of yoga teaching experience. The Ritual Training Team will coordinate the initial training programs using a combination of Ritual instructors and Executive team members. We may substitute instructors, as needed, for different training modules and may use third party training services for any specialized or technical instruction that may be required by our system. Our primary methods for providing instruction include in-person and hands-on training, video instruction, remote video sessions, our Manual guidelines, and training material we may prepare such as guidelines, instructions or software applications.

Assistant Staff Training

You will be required to hire an Assistant Staff based on the needs of your Studio. We recommend a minimum of 4 part-time Assistant Staff members. Initially, we will provide Assistant Staff Training for up to 4 assistants. Assistants fulfill an important support role in the Studio that requires them to be familiar with company culture and service standards. Our training will guide them through the operations of the studio, opening and closing duties as well as expectations required for the fulfillment of the role. The Assistant Staff Training will be coordinated and scheduled to fit with the other portions of the initial training.

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Required RYT Certification

The Designated Manager, all Ritual Teaching Staff and Assistant Staff at the Studio must be certified with a minimum of 200 hours through the Yoga Alliance as a Registered Yoga Teacher (RYT®). This certification is a credential that is earned by yoga teachers who successfully complete a Registered Yoga School (RYS®) teacher training program as set by the Yoga Alliance. An RYT must be confirmed by RYS and keep current with continuing education and annual fees.

Teacher Training Program – Fees

We may modify the Teacher Training Program in any manner we deem appropriate via the Operations Manual or otherwise in writing. As of the Issue Date of this Disclosure Document, the initial Teacher Training Tuition is $4,000 for up to 4 individuals plus the franchisee per Franchise location at the time you sign your Franchise Agreement.

On-Site Pre-Opening Assistance

We may send one (1) or more representatives to your Studio to (a) provide assistance and recommendations regarding your opening and initial operations, and/or (b) provide additional or refresher training associated with the Owner/Operator Module and/or Teacher Training Program, as we deem appropriate in our discretion. If we determine to provide such on-site assistance, we reserve the right to charge our then-current Training Fee in connection with any such discretionary assistance.

Additional and Refresher Training

We may also provide, and require that you (and your Designated Operator and Designated Manager, as appropriate) attend additional training each year at our designated training location. We may also require you to attend certain training as part of the actions you must take to cure certain defaults under your Franchise Agreement ("Refresher Training"), and we reserve the right to charge you our then current Training Fee in connection with such Refresher Training (Franchise Agreement, Section 6.3).

You may request that we provide certain additional or refresher training to you, either at one (1) of our designated training locations or on-site at your Franchised Business. We reserve the right to charge you our then-current Training Fee based on the number of days of such training that we provide at your request (regardless of location). (Franchise Agreement, Section 6.3)

You will be responsible for the costs and expenses associated with you and your designated personnel attending any such additional training described in this Item. (Franchise Agreement, Sections 5.5 and 6.3)

F. Computer System

Computer System

You must purchase or lease, and maintain a computer system, which includes at least one personal computer and two tablet devices, business management software, point of sale system ("POS") and high-speed network connections (collectively, the "Computer System"), as well as the audio visual equipment, including speakers, display monitor(s), cabling, mounts and other related equipment (collectively, the "Studio Audio Visual System"), that we specify for the purpose of, among other functions, recording Studio sales, scheduling classes, assisting in classroom instruction, training purposes, advertising, promotion activity and other functions that the Ritual Hot Yoga system requires. You must provide such assistance,

as needed, to connect your computer system with a computer system used by us. We will have the right, on an occasional or regular basis, to retrieve such data and information from your computer system as we, in our sole and exclusive discretion, consistent with consumer privacy laws, deem necessary.

To ensure full operational efficiency and optimum communication capability between and among computer systems installed by you, us, and other Ritual Hot Yoga franchisees, you agree, at your expense, to keep your computer system in good maintenance and repair, and following our recommendations that it will be beneficial to the system, promptly install such additions, changes, modifications, substitutions and/or replacement to your computer hardware, software, communications equipment and services, telephone and power lines, and other computer-related services, as we direct. (Please see Item 7 of this Franchise Disclosure Document for the fee amount and more details on the software.)

Studio POS

We use a third party, web-based Studio POS solution that is customized for our business. This Studio POS software is used for class scheduling, credit and debit card payment processing, recording your business activity and providing business reporting. This is the only approved Studio POS supplier at this time. If, at our discretion, the approved supplier for the Studio POS software changes, you must update your system to the new Studio POS software at our direction. The details of our Studio POS standards and requirements will be described in our Manual or otherwise in writing and may be modified in the future in response to changes in our business operating needs or to take advantage of technology innovations.

Our approved supplier may provide you periodic updates to maintain the software and may charge a fee for preparing the updates and maintaining the software. There are no limitations on the frequency and cost of updates. The system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain.

The Studio POS software program will be set up for your location and uploaded onto your system. You will pay us for the POS system setup before your Studio opens for business and for all fees associated with the use of the software. We will pay the POS provider. The POS System setup fee is non-refundable. (Please see Item 6 of this Franchise Disclosure Document for the fee amount and more details on the software.)

Audio Visual System

You are required to install a professional audio and sound media system in your Studio and purchase a music service license. The Studio Audio Visual System includes items related to the audio and visual system components: monitor/video display(s), speaker system, wireless headset(s), AV receiver and control system which are necessary to provide the Approved Studio Services. You must currently purchase the Studio Audio Visual System Package according to our specifications from our approved supplier; we reserve the right to designate another approved supplier in our sole discretion. You will be responsible for maintaining your audio visual system in good maintenance and repair, and following our recommendations, promptly install changes, modifications or substitutions related to your system, as we may direct. Current specifications regarding your Audio Visual System and approved supplier, will be described in our Manual. (Please see Item 7 of this Franchise Disclosure Document for the fee amount and more details on the system.)

Studio Surveillance System

At least one surveillance camera is required to be installed in the Studio. The camera(s) must be web accessible. The purpose of the camera is to monitor Studio service quality, safety and for use in teacher training. We have the right to also review and monitor the camera(s) and to ensure compliance with the

System. You are responsible for ensuring customer and employee consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera. As of the Issue Date of this document, we do not have an approved supplier, but we reserve the right to identify approved supplier(s) in the future. Current specifications regarding your surveillance system and approved supplier(s), if any, will be described in our Manual. (Please see Item 7 of this Franchise Disclosure Document for the fee amount and more details on the system.)

We reserve the right to require you to update or upgrade any Studio computer system hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. The approximate cost of the Computer System including a computer and two tablet devices, hardware and software is approximately $700 to $1,700. (See Item 7) As of the Issue Date, there is no initial fee to obtain the Computer System software. The approximate cost of any annual maintenance upgrades or updates or maintenance support contracts varies by provider from $150 to $1,500, which does not include the POS Studio Management software fee of around $660 per month. (See Item 6)

We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to your Computer System, Studio Audio Visual System, Surveillance System or related services you may purchase or lease and any such obligations would be those of the Approved Supplier, software licensors or hardware providers.

G. Internet Web Site

We have established and maintain a website that provides information about our franchise system and the yoga classes, products, and other services offered by franchisees. We will create an interior page on our website containing information about your Studio and other franchised, company or affiliate owned locations. We also have established and maintain a mobile application that allows students to access class schedules and registration at all Ritual Hot Yoga Studios. We will create content to include your Studio in the mobile application. We have sole discretion and control over the content and design of our website, mobile application and your Studio's content on each platform. Furthermore, as we have no control over the stability or maintenance of the Internet generally, we are not responsible for damage or loss caused by errors of the Internet that may impact the operation, availability, reliability or accuracy of our website or online content. You will pay us for the Studio Website and Mobile App setup before your Studio opens for business. (See details in Item 5 of this Franchise Disclosure Document for more information.)

You may not establish or maintain an email account, website, splash page or other presence on the Internet, including social media accounts (e.g. Facebook, Twitter, Instagram), utilizing names associated with the Ritual Hot Yoga Marks, unless we set up and provide you with such an account, or unless you obtain our prior written consent. You and your employees will not be allowed to establish or operate any website, landing page or other representation of your Studio on the internet or establish or participate in any Ritual Hot Yoga related blog or establish or operate landing pages for advertising campaigns or other discussion forum without our prior written consent. (Franchise Agreement, Section 9.2)

Before beginning operations of your studio, we will establish and provide you, or your owners and select employees, with an @ritualhotyoga.com email account. We will also create certain social media accounts for you to maintain, such as Facebook and Instagram. We own all @ritualhotyoga.com email accounts and the social media accounts we create for your use; we may periodically review communications in these accounts and you should have no expectation of privacy in anything you create, store, send, or receive through these accounts. We will give you administrative rights to post to the social media accounts. You must follow our standards and specifications for content, posting and uses of any variation of our trademarks

or franchise system references. We reserve the right to add, remove or modify content posted by you to social media accounts.

You must adhere to the social media policies that we establish from time to time, and must require your employees to do so as well. Use of social media, including any pictures that may be posted on, using or through one or more social media sites, must be in compliance with our Manuals and System Standards, including our take-down policies. You are responsible for ensuring that all of your managers, teachers, assistants and owners comply with our social media policies. (Franchise Agreement, Section 9.3)

ITEM 12: TERRITORY

Franchise Agreement: Authorized Location and Designated Territory

You will operate the Studio at a specific location approved by us (an "Authorized Location"). Once you have secured your Authorized Location, we will provide you a Designated Territory within which you will have certain protected rights. Your Designated Territory will be established around your Studio, as we deem appropriate in our discretion. The size of your Designated Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Studio. We will follow our then current recommended standards for population demographics and retail location characteristics in identifying your Designated Territory.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

If you have been granted a Designated Territory, neither we nor our affiliates will open or operate, or authorize any third party the right to open or operate, another Studio utilizing the Marks and System within your Designated Territory. For this reason, your Designated Territory is deemed "Protected" under applicable franchise disclosure laws (but please note our reserved rights described later in this Item).

Your Designated Territory is not 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.

Your Designated Territory will not be modified by the Franchisor for any reason so long as you are not in default of your Franchise Agreement.

You and other Studios will be able to provide the Approved Services to any potential client that visits or reaches out to your respective Studios.

You may be permitted to advertise and promote your Franchised Business via advertising that is directed at those outside your Designated Territory, such as through catalogs, telemarketing, or targeted print, online or social media with our prior written consent, which we will not unreasonably withhold provided (a) the area you wish to advertise in is contiguous to your Designated Territory, and (b) that area has not been granted to any third party in connection with a Studio (or Development Agreement) of any kind.

If the contiguous area has been granted to a third party in connection with a Studio (or Development Agreement) of any kind, and we have granted our written consent, we may impose certain requirements. You may be required to inform the third party and offer the option to participate in any advertising or promotion.

Relocation

You must receive our permission before relocating the Studio. It is your obligation to select a new franchised location, and to obtain our approval of that franchised location before you acquire your franchised location, and before you obtain any rights in your franchised location. If we consent to you relocating the Studio, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Studio was located. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Studio, and we have the right to charge you a reasonable fee for our services in connection with any such relocation. You will be required to follow our Studio relocation guidelines to maintain business continuity and to limit service disruption as described in the Manual. We may also require you to host another grand opening event at your expense. If you do not comply with the relocation requirements, we may terminate the Franchise Agreement.

Development Agreement

If you are granted the right to multiple Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on an illustrative map.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated: (i) from a distinct site located within the Development Area; and (ii) within its own Designated Territory that we will define once the site for that Franchised Business has been approved. We will approve sites for additional Franchised Businesses developed under your Development Agreement using our then- current site selection criteria.

We will not own or operate, or license a third party the right to own or operate, a Studio utilizing the Marks and System that has an Authorized Location within the Development Area until the earlier of: (i) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Development Agreement; or (ii) the expiration or termination of the Development Agreement for any reason.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under the franchise agreement(s) you entered into for those Franchised Business(es).

Reserved Rights

We and our parent/affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as appropriate):

(i) establish and operate, and license any third party the right to establish and operate, other Studios and Franchised Businesses using the Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Development Area;

(ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under different trademark or trademarks at any location, within or outside the

Designated Territory(ies) and, if applicable, the Development Area;

(iii) use the Marks and System, as well as other such marks we designate, to distribute any Approved Products and/or Services in any alternative channel of distribution, within or outside the Territory(ies) and Development Area (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.), as further described below;

(iv) to

a. acquire, merge with, be acquired by, or otherwise affiliate with, any other company, and

b. have us or any successor/acquiring entity own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Services and Approved Products (but under different marks), within or outside your Designated Territory(ies) and, if applicable, Development Area; and

(v) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if applicable, your Development Agreement.

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities outlined above, or to share in any of the proceeds received by us, our parent/affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Territory.

Internet Sales / Alternative Channels of Commerce

We may sell products and services to members located anywhere, even if such products and services are similar to what we sell to you and what you offer at your Studio. We may use the internet or alternative channels of commerce to sell Ritual Hot Yoga brand products and services. You are not entitled to any compensation, allowance, payment or other consideration on account of any products and services we may offer or sell using alternative channels of distribution in your protected area. You may only sell the products and services from your approved Studio location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us, in order to register members for classes. You are not prohibited from obtaining members over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement and our advertising guidelines as described in our Manual.

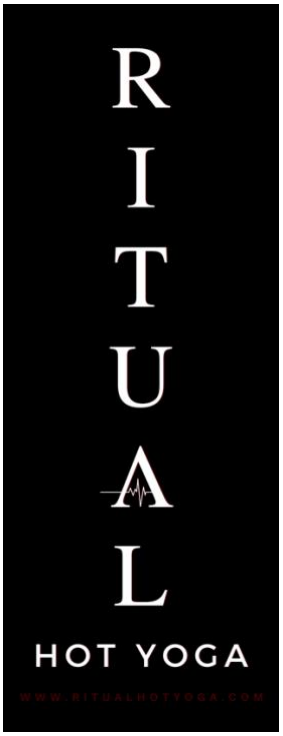
Additional Disclosures

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. We have not established, nor do we presently intend to establish, other franchised or company-owned businesses that are similar to the Franchised Business and that sell our Approved Products and Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13: TRADEMARKS

As our franchisee, we grant you the non-exclusive right, privilege and obligation to use our current or future trademarks to operate the Studio under the Franchised System at the designated location. By trademark, we mean trade names, trademarks, service marks, trade dresses and logos used to identify the Studio and any related classes, workshops, events or retail merchandise we may offer. The following Marks are registered,

or have applications pending, by our Licensor on the Principal Register of the United States Patent and Trademark Office, and are licensed to us pursuant to an agreement dated September 1, 2019:

Trademark	Registration Number	Registration Date
 **Ritual Hot Yoga Logo**	Pending	Pending
 Ritual Hot Yoga Logo	Pending	Pending
 Ritual Heartbeat Logo	Pending	Pending
Ritual Hot Yoga (Word Mark)	Pending	Pending
Ritual (Word Mark)	Pending	Pending

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Trademark	Registration Number	Registration Date
   Breathe to the Beat Logo	Pending	Pending
Breathe to the Beat (Word Mark)	Pending	Pending
Rituals and Visuals Logo	Pending	Pending
Rituals and Visuals (Word Mark)	Pending	Pending

We are in the process of filing all affidavits for the Marks. Affidavits of use and incontestability will be filed at the time specified by law. In addition, we have established certain common law rights to the Marks acquired by virtue of our continuous use of and advertising utilizing the Marks.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged you may have to change to an alternative trademark, which may increase your expenses.

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

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

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

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

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

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to the benefit of Franchisor and has our prior written approval. Upon the termination or cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks which you may have used in connection with the Franchise Agreement. (Franchise Agreement, Section 4)

You must immediately notify us of any apparent infringement of or challenge to your use of the mark. Although not obligated to do so, we or our Affiliate, or the Licensor, will take any action deemed appropriate and will control any litigation or proceeding. You must cooperate with any litigation relating to the Marks which we or our Affiliates, or the Licensor, might undertake. The Franchise Agreement does not require us, to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks, or subject to an unfavorable administrative or judicial determination.

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

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise.

We assert copyright protection on most publications we issue, including among others, our Manual, operational materials, and any other proprietary materials specifically created by us in connection with the

Franchised System, including all proprietary advertisements, published materials and forms, software applications and specified methods. We are not required to register these copyrights with the United States Registrar of Copyrights to protect them. You must use the Manual and other copyrighted materials in a manner consistent with our ownership rights and solely for the promotion of your Franchised Unit.

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

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

Under the Franchise Agreement, information of members/students of the Studio will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of the Franchise Agreement. You are only permitted to use the data for purposes of operating the Studio and are not permitted to sell or transfer any of the data to any third parties, other than for purposes of increasing business and improving operations at the Studio or in connection with an assignment of the Franchise Agreement, unless we agree in writing. We may use such information to communicate directly to the members of the Studio, and to provide updates, information, newsletters, and special offers to the members. We are also permitted to use the data for sales analysis and marketing purposes. Upon expiration or termination of the Franchise Agreement, Franchisee shall have no further access or rights to the member/student information and Franchisor shall be the sole owner of such information.

Both during and after the term of your Franchise Agreement, you, your officers, directors, shareholders, partners and members must use the Confidential Information only for the operation of your Studio under a Franchise Agreement with us; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. (Franchise Agreement, Section 12)

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

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

We believe that the success of your Franchised Unit will depend upon your personal and continued efforts,

supervision and attention. If you are a corporation, limited liability company or partnership, you must designate at least one individual to have managerial responsibility of the Franchised Unit as a Designated Operator (Franchisee or one of its operating principals). The Designated Operator must personally participate and devote full time and effort in the direct on-premises management and operation of your Franchised Unit. If the Designated Operator is not going to be on-site at the Studio during normal business hours to manage the day-to-day operations of its Studio, then the Franchisee must appoint an individual to serve as the designated manager of the Studio ("Designated Manager").

You may appoint a Designated Manager we approve to manage daily operations of your Studio. We will not unreasonably withhold our approval of any Designated Manager you propose, provided the individual has successfully completed the Owner/Operator and/or the Designated Manager Modules, as required, of our initial training, and, if that individual will be providing any Approved Services, the Ritual Teacher Training Program.

Once approved, your Designated Manager may assist in the direct, day-to-day supervision of the operations of the Studio, or be the on-premises supervisor, if you choose not to personally supervise the Studio. Your Designated Manager need not hold an ownership interest in the business to be the on- premises supervisor. We will have the right to deal directly with your Designated Manager on matters pertaining to the day-to-day operations of the Franchised Unit. You will keep us advised, in writing, of any Designated Manager involved in the operation of the Studio and their contact information.

Proper Studio staffing is important in the execution of the Franchise System business model and in maintaining the required standards for Approved Services. Your Franchised Business must, at all times, be managed by and staffed with at least one (1) individual who has successfully completed the Owner/Operator Module or, if appropriate, the Designated Manager Module, of our initial training program to ensure brand standards in the daily operations of the Studio. In addition to the Designated Operator or Manager, your Franchised Business must, at all times, be staffed with a minimum of two (2) teachers, who have successfully completed the Ritual Teacher Training Module, of our initial training program, and must be full-time employees of your Franchise Business.

Accordingly, unless we agree otherwise in writing, we require you and your shareholders, members or partners or any other individuals we may designate, involved in the operations, management or supervision of the Franchised Business, to meet the qualifications we establish and to complete to our satisfaction the Training Programs described in Item 11.

It is important to note that we are not your employer and that nothing in this Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you or your personnel, and (b) us. You will have the right to control all decisions related to recruiting, hiring or firing of any personnel at your Franchised Business. You are solely responsible for the terms of their work, training, compensation, management, promotions, terminations, and oversight. Your employees are under your day-to-day control at the Franchised Business.

Each of your employees must understand and acknowledge that you, and not Ritual Hot Yoga, is their sole and exclusive employer, and this fact must be communicated clearly in all of your employment agreements, employee manuals, human resources materials, written and electronic correspondence, pay checks and other materials that you are their employer, and we, as the franchisor, are not their employer and do not engage in any employer-type activities for which only you are responsible.

You, your managers and employees must comply with the confidentiality provisions described in Item 14. If you are a legal entity, having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in the franchised business

must personally guarantee your obligations under the Franchise Agreement. (Franchise Agreement Exhibit 4). In addition, each of your owners is required to be personally bound by and personally liable for the breach of every non-monetary obligation of the franchisee under the Franchise Agreement, including but not limited to the confidentiality and non-disclosure obligations.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell, only and all those Approved Products and Approved Services and deal only with those suppliers that we authorize or require, and have authorized (See Item 8). Principally, this means you must purchase the amount and type of retail merchandise, equipment, including various equipment/supplies for use in connection with the provision of the Approved Services such as yoga mats, yoga blocks, yoga bolsters, yoga straps, accessories and other exercise equipment, and offer only those types of fitness and exercise classes that we authorize and utilize only the training methods we prescribe. Failure to comply with our purchasing and service restrictions may result in the termination of your Franchise Agreement.

You must also ensure that only Authorized Teachers offer the Approved Services. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Product or Service offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the location of your Franchised Business for any other purpose other than the operation of your Franchised Business.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time. You will not make any material alterations to your Studio or its appearance as originally approved by us without our prior written approval.

To the extent permitted by law, we may: (i) set fixed maximum or minimum prices; (ii) set prices in connection with national or regional price promotions or price advertising. We may also designate approved and disapproved channels for the advertising of our Products or Services.

You must refrain from any merchandising, advertising, or promotional practice that is unethical or may be injurious to our business and/or other franchised businesses or to the goodwill associated with the Marks. Subject to the conditions set forth above, we do not impose any restrictions with regards to the customers to whom you may sell goods and services.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

A. Franchise Agreement

This table lists certain important provisions of the franchise and related agreements. You should

read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	The term is 10 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Section 3.2	You have the option to extend the term for one additional 10-year period.
c. Requirements for renewal or extension	Sections 3.2, 3.3 and 3.4	You have complied with all of the Franchise Agreement provisions; you are not in default of the Franchise Agreement; you have brought the Studio into compliance with our current standards; you have given us notice of renewal; you have signed a then-current form of Franchise Agreement; you have signed a general release in substantially the form of Exhibit D to this Disclosure Document; and you pay us a renewal fee equal to $10,000. You must give us notice of your intent to renew no less than 90 days or more than 180 days before the Franchise Agreement expires. The new Franchise Agreement may contain terms and conditions that are materially different from your original Franchise Agreement.
d. Termination by franchisee	Section 15.1	You may terminate the Franchise Agreement for cause if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 calendar days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	The Franchise Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Sections 15.2 and 15.3	We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement. A default by you under the terms and conditions of the Franchise Agreement or any other such agreement, will, at our option, constitute a default under all such agreements.

Provision	Section in Franchise Agreement	Summary
g. "**Cause**" defined – curable defaults	Section 15.2B	The following constitute curable defaults: you fail to comply with the System Standards; or refuse to make payments due and do not cure within 10 calendar days; or fail to comply with any provision of the Franchise Agreement not otherwise mentioned in (h.) below or any mandatory specification and do not cure within 30 calendar days.
h. "**Cause**" defined – non-curable defaults	Section 15.2A	The following events constitute non-curable defaults: failure to properly establish and equip the premises; failure to complete training; make a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony, or other crime or offense that can adversely affect the reputation of you, us or the Studio; make unauthorized disclosure of confidential information; abandonment of the business for 2 business days or more in any 12-month period, unless otherwise approved; surrender of control of the business; unauthorized transfer; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; your misuse of the Marks; failure on 3 occasions within any 12 consecutive month period, or 4 occasions in any 24 consecutive month period to pay amounts due, or otherwise to comply with the Franchise Agreement; violate any health, safety or sanitation law or conduct your operation in a manner creating a safety hazard; or violating the rights and restrictions of your territory; operating a competing business.
i. Franchisee's obligation on termination/non-renewal	Sections 12, 13, and 15.4	Your obligations include: stop operations of the Studio; stop using the Marks and items bearing the Marks; stop using the Marks in any form as part of your corporate name; cancel any assumed name that contains any Mark;

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

Provision	Section in Franchise Agreement	Summary
		and the transferor must pay a $10,000 transfer fee.
n. Franchisor's right to acquire franchisee's business	Section 14.2	We have a right of first refusal on any proposed transfer, upon the same terms and conditions offered by the proposed transferee.
o. Franchisor's option to purchase franchisee's business	Section 15.4 (I)	We have the option**,** exercisable by giving 30 days' written notice to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Studio, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs), or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Studio. In addition, we have the option to assume your lease for the lease location of the Studio, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease.
p. Death or disability of franchisee	Section 14.5	Must be transferred within six (6) months.
q. Non-competition covenants during the term of the franchise	Section 13	You must not be involved in any Competing Business (as defined in the Franchise Agreement); or any business that offers or grants franchises/licenses, or establishes joint ventures, for the operation of a Competing Business; and you must not take action to divert business or clientele to any other Competing Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13	For a period of 2 years following the expiration/termination of your Franchise Agreement, you must not operate a Competing Business: at the Authorized Location; within a 10 mile radius of the Authorized Location, or any other Studio that is open, under

Provision	Section in Franchise Agreement	Summary
		lease or otherwise under development as of the date of termination/expiration. Additionally, for a period of 2 years after termination of the Franchise Agreement, you must not shall not solicit business from customers of your former Studio, contact any of our suppliers or vendors for any competitive business purpose; or solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment.
s. Modification of the Franchise Agreement	Section 19	The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the System through changes in the Manual.
t. Integration/merger clause	Section 19	The Franchise Agreement constitutes the entire and only agreement between the parties concerning the awarding and licensing of the Franchise. There are no representations other than those set forth in this agreement. No amendment shall be binding unless mutually agreed to by the parties. Any representations or promises outside of this Disclosure Document and other agreements may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 16	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our

Provision	Section in Franchise Agreement	Summary
		then-current headquarters (subject to applicable state law). If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. Except for our right to seek injunctive relief in any court of competent jurisdiction and as otherwise described above, any claim arising out of or relating to the Franchise Agreement or the relationship of the parties, and any controversy regarding the establishment of the fair market value of assets of the Studio will be resolved in binding arbitration before a single arbitrator in Illinois (subject to applicable state law).
v. Choice of forum	Section 16.4	Any action that is not subject to arbitration must be brought in state or federal court in Illinois in the judicial district in which Franchisor has its principal place of business. (subject to applicable state law).
w. Choice of law	Section 16.1	The Franchise Agreement is governed by the laws of the state of Illinois, except that any disputes or actions involving any non-competition covenants, including the interpretation and enforcement thereof, must be governed by the law of the state where the Studio is located.

B. Multi-Unit Development Agreement

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

Provision	Section in Development Agreement or Other Agreements	Summary
a. Length of the term of the Development Agreement	Section 5	The rights granted under the Multi-Unit Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Studio to be developed or ninety (90) days after the date the last studio was scheduled to open per the Development Schedule.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for developer to renew or extend	Not Applicable	Not Applicable
d. Termination by developer	Section 8 (f)	If we are in material breach and fail to cure or remedy the breach within 30 days after receiving written notice from you, you may terminate the Multi-Unit Development Agreement if you are in substantial compliance. Your right to terminate is subject to state law.
e. Termination by franchisor without cause	Not Applicable	Multi-Unit Development Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section 8	If you are in default of the Multi-Unit Development Agreement, or any individual Franchise Agreement, we will have cause to terminate the Multi-Unit Development Agreement.
g. "Cause" defined – curable defaults	Not Applicable	Multi-Unit Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined – non-curable defaults	Section 8	Multi-Unit Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is

Provision	Section in Development Agreement or Other Agreements	Summary
		instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Multi-Unit Development Agreement, make or attempt to make an unapproved transfer or assignment of the Multi-Unit Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us.
i. Developer's obligations on termination/ non-renewal	Section 8 (d)	A default under the Multi-Unit Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Multi-Unit Development Agreement, but are not in default under any one or all of your Franchise Agreements, you may continue to operate the existing Studio(s) under the terms of their separate Franchise Agreements. You will lose your options to establish an individual Studio for which a Franchise Agreement has not been signed by us.
j. Assignment of contract by franchisor	Section 9 (a)	We have the absolute right to transfer or assign the Multi-Unit Development Agreement and all or any part of its rights, duties or obligations to any person or legal entity without your consent.
k. "Transfer" by developer - defined	Section 9 (c)	A transfer includes selling, assigning, conveying, giving away or otherwise transferring any of the Developer's interest in the rights granted by the Multi-Unit Development Agreement or any of the interest in the ownership of the Developer's entity.

Provision	Section in Development Agreement or Other Agreements	Summary
l. Franchisor approval of transfer by developer	Section 9 (c)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.
m. Conditions for franchisor approval of transfer	Section 9 (c), (e), (f), (g)	For a transfer to a third party, the transferee must meet our qualifications and sign the current Multi-Unit Development Agreement. You will pay all sums owed to us and sign an agreement containing general release, as well as pay our then-current transfer fee. You must give us 90 days written notice before any sale or assignment of full or partial interest in Multi-Unit Development Agreement and 15 days written notice of any received offer to buy your interest in the Multi-Unit Development Agreement. You must give simultaneous written notice to us of any offer to sell an interest under Multi-Unit Development Agreement made by you.
n. Franchisor's right of first refusal to acquire developer's business	Section 9 (e)	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase. You must provide us with a period of (15) days to match any third-party offer to purchase any ownership interest in Multi-Unit Development Agreement.
o. Franchisor's option to purchase developer's business	Not Applicable	Not Applicable
p. Death or disability of developer	Not Applicable	Death or disability is not specifically addressed in the Multi-Unit

Provision	Section in Development Agreement or Other Agreements	Summary
		Development Agreement, a transfer of shares upon the death of an owner of the Developer (or a transfer of the agreement upon your death if you are an individual) is handled in the same manner as any other transfer and the Provisions 'k', 'l', 'm', pertaining to transfers described above, apply.
q. Non-competition covenants during the term of the franchise	Section 10	Neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System, or own or otherwise have any interest in any "competitive business." The covenants apply even if you have transferred your interest in the Multi-Unit Development Agreement. "Competitive Business" means any business (other than a Ritual Hot Yoga Studio) principally offering substantially similar products and services.
r. Non-competition covenants after the franchise is terminated or expires	Section 10 (b)	You must not own, operate or otherwise be involved with a Competitive Business; or be involved in the licensing or franchising, or establishing of joint ventures for the operation of a Competing Businesses for 2 years after the Multi-Unit Development Agreement is terminated within the Designated Territory or within a 10-mile radius of any Ritual Hot Yoga Studio. You will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Multi-Unit Development Agreement.
s. Modification of the	Section 16	Multi-Unit Development Agreement

Provision	Section in Development Agreement or Other Agreements	Summary
Development Agreement		can be modified only by written agreement between us and you.
t. Integration/ merger/clause	Section 16	Only the terms of the Multi-Unit Development Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19 (a)	Disputes/claims are first subject to internal dispute resolution, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in the county where our then-current headquarters is located and in accordance with the arbitration rules of the American Arbitration Association. These provisions are subject to state law.
v. Choice of forum	Section 19 (e)	Any action will be brought in the appropriate state or federal court nearest to our then current principal place of business (subject to applicable state law).
w. Choice of law	Section 19 (h)	Illinois law applies (subject to applicable state law).

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in **Exhibit L,** entitled State Disclosures and Riders, to this Disclosure Document.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

In the tables below, we disclose the actual "Gross Revenue" generated from January 1, 2018 through December 31, 2018 (the "Measurement Period") by our two affiliate Studios that were operated in a substantially similar manner to the Franchised Business described in this Disclosure Document and that were operational for the entire 12 months of 2018.

The affiliate Studios disclosed in this Item 19 are operational as of the issuance of this Disclosure Document. The affiliate Studio referred to as Disclosed Studio #1 in the tables below was relocated in August of 2019.

In Table 1, we disclose the Gross Revenues, Sources of Revenues and Student Attendance numbers of these affiliate Studios.

In Table 2, we disclose the annual Gross Revenue, Cost of Sales and Certain Operating Expenses incurred for each affiliate Studio.

The financial performance representations contained in this Item 19 are historical representations based on past performance of affiliate Ritual Hot Yoga Studios. We have based these representations upon the business records and financial information provided by our affiliate Studios in a manner consistent with generally accepted accounting principles. Gross revenues and membership figures for any new Ritual Hot Yoga studio may be substantially lower during the first year of operations.

The products and services offered by each franchisee, although essentially the same, may vary slightly based on market conditions; demand for specific services, the requirements of customers and the sales skills utilized by the owners and employees of each individual Studio. The gross revenue attained by each Studio will depend on a wide range of factors including, but not limited to, geographic differences, competition within the immediate market area, the quality of the service provided to customers by the franchisee and its employees, consumer demand for our services, and the marketing skills and sales efforts employed by each franchisee: The profitability of individual franchisees will depend on a number of factors which may vary due to the individual characteristics of each territory. Factors affecting the net profits may include, but are not limited to, the costs of labor, insurance, supplies, and compliance with state and local laws regulating the provision of yoga instruction, including any state- specific licensing requirements.

Certain Studio locations earned these amounts. Your individual results may differ. There is no assurance that you'll sell as much.

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

Table 1: Gross Revenue and Studio Attendance for Affiliate Studios over Measurement Period

Revenue Item	January - December 2018		January - December 2018	
	Total	**%**	**Total**	**%**
Studio Income				
Ritual Membership Revenue	$ 373,597.55	**44.50%**	$ 236,420.12	**44.41%**
Class Revenue	$ 214,617.44	**25.57%**	$ 127,375.74	**23.93%**
Partner Revenue	$ 243,288.56	**28.98%**	$ 167,137.66	**31.40%**
Event & Workshop Revenue	$ 7,970.00	**0.95%**	$ 1,390.00	**0.26%**
Total Class Sales Revenue	**$ 839,473.55**		**$ 532,323.52**	
Class Prepayment Adjustments	$ (3,482.54)		$ (2,350.00)	
Other Income				
Retail Sales	$ 21,134.25	**2.46%**	$ 5,720.94	**1.07%**
Gift Cards	$ 2,835.00	**0.33%**	$ 560.00	**0.10%**
Total Studio Revenue	**$ 859,960.26**		**$ 536,254.46**	
Studio Attendance	**45,326**		**30,143**	
Ritual Members	27,671	61.05%	17,600	58.39%
Other: 3rd Party, Drop-ins, or New Students	17,655	38.95%	12,543	41.61%
		100.00%		**100.00%**
Revenue per Student	**$ 18.97**		**$ 17.79**	

Explanatory Notes to Table 1

1. The term "Gross Sales" means the total revenue generated by each Disclosed Studio over the Measurement Period from all Approved Services, including all revenue generated from, classes, memberships, partner referral programs, events, workshops and retail sales.

2. The Measurement Period is the 12 month period from January 1, 2018 through December 31, 2018.

3. Studio Attendance is the cumulative count of students in attendance at all classes offered during the Measurement Period. Students are categorized by the membership type; Ritual Memberships, 3rd Party Memberships and those with no memberships who may be considered drop-ins or new students.

4. Class Prepayment Adjustments are refunds issued for a prepayment of membership, class or workshop fees. Refunds are issued at the Studio's discretion and utilized selectively by each Studio in response to student needs and customer service requirements.

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Table 2 Total Revenue Less Certain Operating Expenses

Annual Revenue & Expenses	Disclosed Studio #1	%	Disclosed Studio #2	%
Gross Revenue	**$ 859,960.26**		**$ 536,254.46**	
COGS	**$ 379,223.83**	**44.10%**	**$ 237,644.85**	**44.32%**
COGS (Retail Products)	$ 15,849.10	1.84%	$ 4,739.88	0.88%
Cleaning Services	$ 8,600.00	1.00%	$ 5,400.00	1.01%
COS (Cost of Labor)	$ 309,368.74	35.97%	$ 205,590.39	38.34%
Supplies	$ 17,390.11	2.02%	$ 14,720.73	2.75%
Merchant Service Fees	$ 28,015.88	3.26%	$ 7,193.85	1.34%
Gross Profit (Gross Revenue – COGS)	**$ 480,736.43**	**55.90%**	**$ 298,609.61**	**55.68%**
Certain Operating Expenses				
Estimated Royalty	**$ 60,197.22**	7.00%	**$ 37,537.81**	7.00%
Compensation Expenses	**$ 72,195.92**	**8.40%**	**$ 38,698.43**	**7.22%**
Bonuses	$ 9,667.00	1.12%	$ 7,013.83	1.31%
Payroll Related	$ 36,001.67	4.19%	$ 23,339.97	4.35%
Benefits	$ 26,527.25	3.08%	$ 8,344.63	1.56%
Marketing Expenses	**$ 61,565.83**	**7.16%**	**$ 55,852.08**	**10.42%**
Operating Expenses	**$ 138,515.29**	**16.11%**	**$ 136,156.36**	**25.39%**
Studio Expenses	$ 5,220.65	0.61%	$ 945.83	0.18%
Repair & Maintenance	$ 6,126.08	0.71%	$ 4,337.39	0.81%
Gear & Yoga Supplies	$ 4,465.50	0.52%	$ 1,020.17	0.19%
Utilities	$ 32,101.56	3.73%	$ 41,220.97	7.69%
Rent/Lease	$ 90,601.50	10.54%	$ 88,632.00	16.53%
Misc. G&A Expenses	**$ 8,253.64**	**0.96%**	**$ 10,173.41**	**1.90%**
Bank Charges	$ 838.00	0.10%	$ 921.00	0.17%
Insurance	$ 7,415.64	0.86%	$ 9,252.41	1.73%
Total of COGS & Certain Operating Expenses	**$ 719,951.73**	**83.72%**	**$516,062.94**	**96.23%**
Revenue Less COGS & Certain Operating Expenses	**$ 140,008.53**	**16.28%**	**$ 20,191.52**	**3.77%**

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Explanatory Notes to Table 2

1. Estimated Royalty is an estimate of the amount of the royalty fee that would have been paid to us if these representative Studios were franchised and operating under our franchise agreement. This Estimated Royalty amount is included to provide an example for the purpose of this financial performance information.

2. The Cost of Goods Sold (COGS) category includes the COGS amount for retail product as well as COS for the cost of labor. The Cleaning Service and Supplies fees will vary based on Studio size, activity and if the services are provided by an external contractor or existing Studio staff.

3. Compensation Expenses are typical employee related compensation benefits.

4. Marketing Expenses represent the annual cost of digital marketing and related promotions for each affiliate Studio.

5. Operating Expenses are Studio occupancy and Studio equipment related expenses that pertain to the rent, maintenance and utilities services that support Studio operations.

6. Miscellaneous G&A Expenses are costs that include bank charges, general liability insurance and workman's compensation expenses.

7. The Total of COGS and Certain Operating Expenses includes the amounts for expense items listed under COGS, Estimated Royalty, Compensation Expenses, Marketing Expense, Operating Expenses, Misc. G&A Expenses.

8. The Revenue Less COGS and Certain Operating Expenses includes the Gross Revenue amount less the amounts for expense items listed under COGS, Estimated Royalty, Compensation Expenses, Marketing Expense, Operating Expenses, Misc. G&A Expenses.

Explanatory Notes to Item 19

1. When reviewing the financial performance information in this Item 19 and evaluating our franchise offering generally, it is very important to note the following characteristics of the affiliate Studios described in this Item 19 (as compared to a new Franchised Business):

a. The Affiliate Studios did not have a written franchise agreement with Franchisor as of the Issue Date of this Disclosure Document, but each of these locations utilizes the Marks and System in a manner similar to how you will be required to use such intellectual property in the operation of a new Franchised Business;

b. The Affiliate Studios were not required to pay us or any other party an Initial Franchise Fee or the other initial fees described in Item 5 of this Disclosure Document. At the same time, none of the Affiliate Studios incurred the various other pre-opening costs and expenses over the described Measurement Period that you are likely to incur in connection with the development of a new Franchised Business. These Studios were all open and operating for some time as of the date the Measurement Period commenced; and

c. The figures provided in this Item 19 exclude expense information that may vary substantially from business to business and by each operator's circumstances. Expenses we have excluded and that you must consider for your situation in reviewing this information are listed below.

i) These figures do not include interest expense, interest income, depreciation, amortization and other income or expenses, depending on the amount and kind of financing obtained to establish your Franchised Business. The figures disclosed in this item exclude certain tax liabilities for which you will be responsible. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Franchised Business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation.

ii) These figures do not include information pertaining to all the professional fees or other administrative expenses that you might incur in connection with opening and commencing operations of your Franchised Business, including legal and accounting fees.

iii) These figures do not include other operating costs/expenses you may incur in connection with the operation of your Franchise Business, such as, (i) salary, draw or other compensation for the owner of each Disclosed Studio; (ii) expenses incurred by the owner in connection with promoting the Studio; (iii) automobile/vehicle expenses (if applicable); (iv) certain taxes and related liabilities; (v) recruiting initiatives (if applicable); (vi) fees that might be charged by a third-party provider in connection with payroll processing (if applicable); (vii) certain legal and accounting fees; (viii) fees for obtaining required permits and licenses; (ix) additional advertising/promotion expenses; (x) additional supplementary benefit programs/costs; (xi) corporate overhead allocations; or (xiii) miscellaneous costs such as travel expenses and professional fees.

2. All related Studio expenses and costs, as well as the actual accounting and operational methods employed by a franchisee, impact profits realized in any particular business operation. Actual results will vary from Franchised Business to Franchised Business, and we cannot estimate the results of a particular Franchised Business. The revenues and expenses of your business will be directly affected by many factors, such as: (a) your Designated Territory's geographic location and population demographics; (b) advertising effectiveness based on market saturation; (c) whether you operate the business personally or hire a third party to serve as your Designated Manager; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) your personnel salaries and benefits (life and health insurance, etc.);(g) your insurance costs; (h) weather conditions; (i) your ability to generate customers; (j) customer loyalty;(k) employment conditions in the market; and (l) the efforts you and your personnel put into your Franchised Business.

3. We strongly recommend that before entering into any agreement with us, you conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. One method may be to consult with your financial advisor or personal accountant concerning your financial projections, estimated operating costs and expenses and the impact of federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Studio, 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 our management by contacting Attention: Franchise Manager, Ritual Franchising Company LLC at 1100 N. Lake Shore Drive, Chicago IL 60611 or via email franchise@ritualhotyoga.com.

ITEM 20: OUTLETS AND FRANCHISEE REPRESENTATIONS

Table No. 1
Systemwide Outlet Summary
For Years 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Company-Owned	2017	1	2	+1
	2018	2	3	+1
	2019	3	3	0
Total Outlets	**2017**	**1**	**2**	**+1**
	2018	**2**	**3**	**+1**
	2019	**3**	**3**	**0**

Table No. 2
Transfers From Franchisees to New Owners (Other than the Franchisor)
For Years 2017 to 2019

State	Year	Number of Transfers
None	2017	0
	2018	0
	2019	0
Total Outlets	**2017**	**0**
	2018	**0**
	2019	**0**

Table No. 3
Status of Franchise Outlets For Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation – Other Reasons	Outlets at End of the Year
None	2017	0	0	0	0	0	0	0

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State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation – Other Reasons	Outlets at End of the Year
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Total	**2017**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 4
Status of Company-Owned Outlets For Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets sold to Franchisees	Outlets at the End of Year
CA	2017	1	1	0	0	0	2
	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
IL	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
	2019	1	0	0	0	0	1
Total	**2017**	**1**	**1**	**0**	**0**	**0**	**2**
	2018	**2**	**1**	**0**	**0**	**0**	**3**
	2019	**3**	**0**	**0**	**0**	**0**	**3**

Table No. 5
Projected Openings as of December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the 2019 Fiscal Year	Projected New Company-Owned Outlets in the 2019 Fiscal Year
California	0	2	0
Illinois	0	2	0
Total	**0**	**4**	**0**

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The figures contained in this Item 20 are as of December 31, 2017, December 31, 2018 and December 31, 2019.

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

ITEM 21: FINANCIAL STATEMENTS

Exhibit F contains our balance sheet as of December 31, 2019. We have not been franchising for three or more years, and cannot therefore provide all financial statements that would have otherwise been required in this Item. Our fiscal year end is December 31st of each year.

ITEM 22: CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit	Agreement
A.	FRANCHISE AGREEMENT AND EXHIBITS
	• Exhibit 1: Authorized Location Addendum
	• Exhibit 2: Electronic Funds Transfer Agreement
	• Exhibit 3: Electronic Debit Authorization
	• Exhibit 4: Guarantee, Indemnification and Acknowledgement
	• Exhibit 5: Collateral Assignment of Telephone numbers, Telephone Listings, Internet Addresses and Social Media Pages
	• Exhibit 6: Addendum to Lease
B.	MULTI-UNIT DEVELOPMENT AGREEMENT
C.	ADDENDUM TO LEASE
D.	GENERAL RELEASE OF ALL CLAIMS
E.	STATEMENT OF PROSPECTIVE FRANCHISEE
F.	FINANCIAL STATEMENTS
G.	BRAND STANDARDS AND SYSTEM MANUAL TABLE OF CONTENTS
H.	LIST OF FRANCHISEES
I.	LIST OF FRANCHISEES THAT LEFT OUR SYSTEM
J.	CONFIDENTIALITY AND NON-COMPETE AGREEMENT
K.	LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
L.	STATE DISCLOSURES AND RIDERS

ITEM 23: RECEIPTS

(find two copies at the end of this document)

The Acknowledgement of Receipt forms for the Franchise Disclosure Document are the last two pages of this Franchise Disclosure Document. We ask that you sign and date the Acknowledgement of Receipt.

Please keep a signed copy for your records and return the other signed copy to our attention via mail: Attention: Franchise Manager, Ritual Franchising Company LLC, 1100 N. Lake Shore Drive, Chicago, Illinois 60611 or as we may otherwise instruct.

Exhibit A: Franchise Agreement and Exhibits

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RITUAL HOT YOGA FRANCHISE AGREEMENT

This Ritual Hot Yoga Franchise Agreement (this "Agreement") is entered into as of the_____day of _____, 20 between Ritual Franchising Company LLC an Illinois limited liability company, doing business as "Ritual Hot Yoga" ("Franchisor") and_____ _____, ("Franchisee"), upon the following terms, conditions, covenants and agreements:

RECITALS

A. Ritual San Francisco, Inc, a California corporation, ("Licensor") owns and has developed and administers a system, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of specialty yoga studios ("Studios") identified by the "Ritual Hot Yoga" trade name and other trademarks and service marks licensed hereunder (the "Marks").

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

C. Pursuant to a written agreement dated September 1, 2019, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to establish and operate a Ritual Hot Yoga Studio offering (a) yoga instruction and related services that Franchisor authorizes (collectively, the "Approved Services"), and (b) certain merchandise and other products Franchisor authorizes for sale in conjunction with the Approved Services and Studio operations (collectively, the "Approved Products"), all while utilizing the System and Marks.

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

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

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

1. GRANT OF FRANCHISE, LOCATION

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

A. Establish and operate a single Studio utilizing only the System and the Marks, at a location that has been authorized by Franchisor (the "Authorized Location"), in accordance with the

provisions and for the term specified in this Agreement;

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

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

1.2 Site Acceptance Process. Franchisor will assist Franchisee in connection with site selection by: (i) providing Franchisee with its then-current site selection criteria, to the extent such criteria has been reduced to writing; and (ii) providing Franchisee with access to a local real estate broker that is familiar with Franchisor's confidential site evaluation criteria, to the extent Franchisor has established relationships with such brokers in or around the Designated Market Area (as defined in Section 1.3 below). Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Studios, available parking, traffic flow and entrance to and exit from the site. Franchisor will use commercially reasonable efforts to accept or reject a proposal for an Authorized Location within 30 days after Franchisor receives the location report. Franchisor's acceptance of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold acceptance of a site that meets its site criteria. Franchisee acknowledges that Franchisor's acceptance of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Studio. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within six (6) months of the date that Franchisor accepts this Agreement. The opening date may be extended up to an additional three (3) months in certain instances, as explained in Section 2.2D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Studio that meets Franchisor's acceptance, within the time period allotted above.

1.3 Authorized Location & Designated Area. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site acceptable to Franchisor within the following Designated Market Area:

_____.

Once the Authorized Location for the Studio has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, neither it nor its affiliates will operate or establish, or authorize another System franchisee to operate or establish, a Studio using the System or Marks within a certain geographical area surrounding the Authorized Location ("Designated Territory"). The Designated Territory, if any, will be defined in Exhibit 1, hereto.

1.4 Rights Reserved to Franchisor. Notwithstanding anything contained in this Agreement, Franchisor and its affiliate(s)/parent(s) hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Studios utilizing the Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Studios (such as private label products that Franchisor may develop)

through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Studio, located within or outside Franchisee's Designated Territory, and subsequently operate (or license a third party the right to operate) these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Marks at any location; and (v) use, and license others the right to use, the Marks and System to engage in any other activity not expressly prohibited by this Agreement.

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Studio on the terms and conditions specified herein. Franchisee agrees to follow the System requirements in the operation of its Studio, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of Franchisor's business and the System now in effect and changed periodically. Franchisee (or, if Franchisee is an entity, one of its operating principals) and its proposed Designated Manager (as defined in Section 5.5(A) of this Agreement) must attend and complete Franchisor's initial training program to Franchisor's satisfaction, as set forth in Section 6.3 of this Agreement.

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

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

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

C. Franchisee shall submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Section 7.2 and Exhibit 6 ("Lease Addendum").

D. Franchisee agrees that it shall open the Studio for regular, continuous business no later than six (6) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Studio has not opened after six (6) months, but substantial progress has been made, Franchisor may, at its sole discretion, extend the period of time to open up to an additional three (3) months, if Franchisee (a) has already secured an approved premises for its Studio, and (b) is otherwise making diligent and continuous efforts to buildout and otherwise prepare its Franchised Business for opening throughout the six (6) month period following the execution of this Agreement.

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

3. TERM AND RENEWAL

3.1 **Term**. The term of this Agreement shall be for a period of ten (10) years beginning on the date this Agreement is accepted by Franchisor, unless sooner terminated under Section 15. The conditions to obtain a renewal Ritual Hot Yoga franchise agreement are those stated below in Section 3.2.

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for one (1) additional ten (10) year term, subject to satisfaction of each of the following conditions:

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

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

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

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

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

F. Franchisee shall pay to Franchisor a renewal fee of Ten Thousand Dollars ($10,000); and

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

3.3 **Franchisor's Refusal to Renew Franchise**. Franchisor may refuse to renew the franchise if

Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor, or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

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

4. TRADEMARK STANDARDS

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

4.2 **Use**.

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

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

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "TM" or "SM" (trademark and service mark), where applicable.

4.3 **Litigation**. Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection

with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third party. Franchisor shall not be liable for any legal expenses of Franchisee unless approved in writing by Franchisor in its discretion.

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

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

5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an initial franchise fee in the sum of Forty Thousand Dollars ($40,000) for a single Studio upon execution of this Agreement (the "Initial Franchise Fee") in the form of a cashier's check or bank wire. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable under any circumstance.

5.2 **Royalty Fee**. Beginning on the day the Studio starts generating revenue from its business operations, and continuing during the Term of this Agreement, Franchisee agrees to pay Franchisor, weekly, without setoff, credit or deduction of any nature, a royalty fee equal to seven percent (7%) of the Gross Sales (as that term is defined in Section 5.3, below) generated by the Studio over the immediately preceding week (the "Royalty" or "Royalty Fee").

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

5.3 **Gross Sales.** Gross Sales means the total revenue generated by the Studio, including all revenue generated from the sale and provision of any and all gift cards and other approved products and services at or through the Studio and all proceeds from any business interruption insurance related to the non-operation of the Studio, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "Gross Sales" does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Studio that is credited in good faith by Franchisee in full or partial satisfaction of the price of the approved products or services offered in connection with the

Studio.

5.4 Initial FFE Package, Initial Inventory, Pre-opening Sales Expenditures and Studio Management Software

A. Prior to opening the Studio governed by this Agreement, Franchisee must purchase: (i) an initial package of Studio furniture, fixtures, equipment, specialty equipment, audio visual system and related technology solutions ("Initial FFE Package") designed to provide Franchisee with certain items needed in connection with outfitting, equipping and otherwise building out of the Studio; and (ii) opening inventory comprised of certain branded and other inventory that may be resold at the Studio (the "Opening Retail Inventory"). Over the term of this Agreement, Franchisee will be responsible for (a) maintaining and/or replacing the items comprising the Initial FFE Package, and (b) maintaining certain levels of inventory with respect to those items comprising the Opening Retail Inventory, as set forth more fully in this Agreement.

B. Once Franchisee has secured the Authorized Location for the Studio, Franchisee must purchase the pre-opening marketing package that Franchisor designates ("Pre-Opening Marketing") for use in coordination with the pre-opening sales plan that Franchisee is required to commence conducting at least 60 days prior to the opening of the Studio. Franchisee agrees and acknowledges that Franchisee must: (i) develop the foregoing plan in coordination with the opening support program that Franchisee's approved supplier conducts in connection with Studio that is designed to generate prospective Studio clientele and members and otherwise promote the Studio prior to opening; (ii) obtain Franchisor's prior approval of the plan and all Pre-Opening Marketing activities; and (iii) incur and promptly pay all fees and costs associated with Pre-Opening Marketing Program and other Pre-Opening activities as and when such amounts become due.

C. Franchisee further agrees to install at its expense and use, the membership accounting, cost control, class and employee scheduling, point of sale ("POS") and inventory control systems through the supplier the Franchisor designates. The designated, or approved, supplier(s) for these services will be updated in the Manuals as changes are made. Over the term of this Agreement, Franchisee will also be required to pay, Franchisor or Franchisor's then-current designated provider, as required per the Manual, for the software that Franchisor prescribes for use in connection with the Studio and the POS (the "Studio POS System Fee"), which may be modified upon reasonable written notice to Franchisee.

5.5 Overview of Training Programs and Fees

A. **Initial Training Fee**. Franchisee agrees to pay Franchisor an initial training fee in the sum of Four Thousand Dollars ($4,000). This fee is due at the time you sign your Franchise Agreement. The fee covers the cost for 3 teachers, the franchisee, designated operator, if applicable, and a designated manager. The Teacher Training fee is non-refundable.

B. **Owner and Designated Manager Training and Training Fee**. The parties agree and acknowledge that Franchisee or, if Franchisee is an entity, at least one (1) of Franchisee's operating principals (an "Designated Operator") must complete the "Owner/Operator" module of Franchisor's proprietary initial training program (the "Owner/Operator Module"), as described more fully in Section 6.3(A) below. If Franchisee (or one of its operating principals) is not going to be on-site at the Studio during normal business hours to manage the day to day operations of its Studio, then Franchisee must appoint an individual to serve as the designated manager of the Studio ("Designated Manager"). The Designated Manager must attend and complete, to Franchisor's satisfaction, the designated manager

module of Franchisor's proprietary initial training program, as described more fully in Section 6.3(A) below (the "Designated Manager Module"). Franchisee and certain of its personnel, including a Designated Manager if appointed, will: (i) be required to attend the initial training described above before the Studio can open for operations, as well as certain ongoing training, as described more fully in Section 6 of this Agreement; and (ii) have the right to request that Franchisor provide certain kinds of training or on-site assistance, subject to the availability of Franchisor's training personnel. While certain initial and ongoing training will be provided by Franchisor without charging any kind of training fee, Franchisee (or its personnel) will be responsible for ensuring Franchisor receives its then-current training fee, as applicable, in connection with any training that Franchisor provides hereunder that involves such a fee (the "Training Fee"). Franchisee agrees that it will require all Designated Managers employed after the Studio is opened to complete the Initial Training requirements, as designated by Franchisor. Franchisee shall pay Franchisor the then-current fee for additional training for each new Designated Manager employed after the Studio opens.

C. **Ritual Teacher Training**. Each teacher that Franchisee engages to provide any of the Approved Services at its Studio must (i) have successfully completed a minimum 200-hour yoga teacher training that is registered with Yoga Alliance as necessary to become a "Registered Yoga Teacher" or "RYT" in accordance with the Alliance's requirements and criteria (a "Third-Party RYT Program) and (ii) successfully complete Franchisor's proprietary "Ritual Teacher Training Program" that is designed to instruct specifically on how to provide Franchisor's Approved Services at a Studio in accordance with Franchisor's System Standards and specifications (the "Ritual Teacher Training Program"). An individual who has become a RYT, through completion of a Third-Party RYT Program and has also completed the Ritual Teacher Training Program is an "Authorized Teacher" that may provide the Approved Services at the Studio. The following costs and fees are associated with any additional training that Franchisor or its designee might provide in connection with the Studio.

D. **Ongoing/Refresher Training**. Franchisor may provide or request that Franchisee and certain of its management personnel attend and complete up to five (5) days of additional/refresher training each year. Franchisor will not charge Franchisee any Training Fee; however, Franchisor reserves the right to charge a Training Fee in connection with such required training. Franchisee will be responsible for the costs associated with attending training at Franchisor's designated training facility.

E. **No Training Fee for Minor, Day-to-Day Assistance**. Franchisor will not charge Franchisee any fees in connection with minor, day-to-day assistance that Franchisor provides remotely over the phone, via email/fax or other electronic channel of communication, which Franchisee understands and acknowledges will be provided subject to the availability of Franchisor's personnel.

F. **Costs and Expenses.** Franchisee will be required to pay all costs and expenses incurred in connection with any training that Franchisee or its personnel attends in connection with Studio, including those costs related to travel, lodging, meals and (if appropriate) wages.

G. **Training Fee for Certain Training**. Franchisor reserves the right to charge its then- current training fee (the "Training Fee") in connection with (a) any additional or refresher training that Franchisee requests, (b) any training or assistance that Franchisor provides on-site at the Premises of the Franchised Business, and/or (c) any training that Franchisor requires Franchisee to undertake and complete to cure a default in connection with the Franchise Agreement under the Franchise Agreement or Manual(s).

5.6 **Fund Contribution.** Franchisor shall have the right and option to establish a marketing and brand development fund to promote and otherwise develop the System, Marks and brand generally (the

"Fund") as Franchisor determines appropriate, Franchisee will be required to contribute up to two percent (2%) of the Gross Sales of its Studio to this Fund (the "Fund Contribution"), commencing once the Studio opens for operations. The Fund Contribution will typically be paid in the same manner and at the same interval that the Royalty Fee is collected (based on the Gross Sales of the Studio over the immediately preceding reporting period)..

5.7 Electronic Transfer; Right to Modify Collection Interval.

A. Unless Franchisor specifies otherwise, Franchisee agrees to pay the Royalty Fee and Marketing Fund Contribution (if required), and any other fees owed to Franchisor, by pre-authorized electronic debit to Franchisor's bank or other financial institution account on a weekly basis throughout the Term, unless Franchisor provides reasonable written notice that Franchisor is modifying the collection interval (e.g., notifying Franchisee that Franchisor will be collecting Royalty Fee, Fund Contribution and other recurring amounts due on a monthly rather than weekly basis, with such monthly fees based on the Gross Sales of the Studio over the preceding calendar month).

B. All amounts due to Franchisor for the purchase of products, services or otherwise are due upon receipt of an invoice from Franchisor. Any payment or report not actually received by Franchisor on or before the due date is overdue.

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

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

5.8 Technology Fee. Franchisor reserves the right to charge Franchisee an on-going technology fee to pay for certain aspects of Franchisee's computer system and/or software ("Technology Fee"). Franchisor reserves the right to designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time upon providing reasonable written notice to Franchisee. The Technology Fee may be collected by Franchisor at the same time as the Royalty Fees due hereunder.

5.9 Interest and Late Charges. Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month, or the highest rate of interest allowed by law. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations**. Although Franchisor will provide the site selection assistance described in Section 1.2 of this Agreement, Franchisee is solely responsible for locating, obtaining and evaluating the suitability and prospects of the Studio location, for the review and negotiation of its lease, and for hiring an attorney or other advisor to review and help negotiate the lease. The Authorized Location must meet Franchisor's then-current System Standards and specifications, as set forth in the Manuals or otherwise in writing by Franchisor. Franchisor reserves the right to charge a reasonable fee for performing any Franchisee-requested on-site evaluation to cover incurred expenses, including, but not limited to, travel, lodging, meals and wages. Franchisor agrees not to unreasonably withhold its acceptance of a site that meets its site criteria

At Franchisee's request, Franchisor may, in its discretion, assist Franchisee in site selection and negotiation of the lease for the proposed site. The site selection assistance provided by Franchisor may include furnishing Franchisee with Franchisor's confidential site evaluation criteria, consulting with and counseling Franchisee, and conducting field inspections/evaluations of proposed sites. Additionally, Franchisor may assist Franchisee in negotiating the lease, sublease or other document required for obtaining the premises of the Studio, and may even negotiate the terms of the lease on behalf of Franchisee. Franchisor reserves the right to charge a reasonable fee for performing any requested lease negotiation assistance, including any applicable attorney's fees.

6.2 **Unit Development**. Franchisor shall consult and advise Franchisee on the proper display of the Marks, Studio layout and design, procurement of yoga/fitness equipment, yoga mats, yoga accessories, specialty equipment, furniture, fixtures, surveillance system, audio visual system, initial inventories, recruiting of Studio personnel and managing the construction or remodeling of the Studio. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for build out of the Studio premises, equipment, furnishings, fixtures, surveillance system, audio visual system, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Studio. Franchisee's contractor, designer or architect must make any layout, design and specifications, as provided by Franchisor, site-specific to the Authorized Location. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor.

6.3 **Training Related Programs and Obligations.** Franchisee agrees and acknowledges that the following training obligations and requirements must be strictly complied with and adhered to at all times during the Term:

A. **Initial Training Requirements for Owner/Operator and Designated Manager**. Prior to opening the Studio, Franchisee must ensure that: (i) Franchisee (or, if an entity, its Designated Operator) completes the Owner/Operator Module of Franchisor's proprietary initial training program, which will typically last one (1) business day at Franchisor's corporate headquarters or another training facility Franchisor designates; and (ii) Designated Manager, or Franchisee and/or Designated Operator, as described in Section 5.5(B) of this Agreement, such "Designated Manager", has completed the Designated Manager Module of Franchisor's initial training program. If any of the individuals described in this Section fail to successfully complete the applicable training required by this Section before the time Franchisee is required to open the Studio hereunder, Franchisor may terminate this Agreement.

B. **Initial Training Requirements for Teachers**.

(1) Any individual that wishes to teach yoga classes or provide any of the other Approved Services at the Studio must first become an Authorized Teacher by completing the Ritual Teacher Training Program. Franchisor may terminate this Agreement upon written notice to Franchisee in the event Franchisee permits the Approved Services to be provided by any individual that is not an Authorized Teacher. If Franchisee fails to comply, Franchisor reserves the right to charge Franchisee its then-current penalty fee ("Penalty Fee") for each day that Franchisee permits anyone other than an Authorized Teacher to provide yoga instruction or any of the other Approved Services at the Studio.

(2) The Teacher Training Program is provided at Franchisor's corporate headquarters, or an existing Studio. Franchisee will be required to (a) pay the then- current fee associated with providing the Teacher Training Program for each individual that attends, and (b) pay the related costs and expenses associated with teaching personnel attending and completing the Teacher Training Program (e.g. transportation, meals, lodging and other expenses).

(3) The Studio must have at least one (1) individual that is an Authorized Teacher on-site at the Studio at all times when any Approved Services are being provided.

(4) Franchisee must otherwise ensure that: (i) all yoga teachers at the Studio are certified with a minimum of 200 hours through Yoga Alliance (RYT®), which is a credential earned by yoga teachers whose training and teaching experience meet Yoga Alliance Registry Standards; (ii) any individual that participates in the Teacher Training Program successfully completes that program(s) and passes any test that is provided in connection with the program(s); and (iii) no personnel provide yoga instruction or other Approved Services at the Studio unless and until such personnel meet the requirements and successfully complete the requisite training to become an Authorized Teacher and pass any corresponding test(s). Franchisee agrees that Franchisor, as part of its right to inspect and audit the operations of the Franchised Business on an ongoing basis, may require that Franchisee demonstrate that all required personnel have successfully completed all requisite training and corresponding test(s).

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

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

such assistance.

6.4 **Brand Standards and System Manual**. Franchisor will grant Franchisee online access to an electronic version of the Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its Systems as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the Term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. For purposes of this Agreement, the Manual means the entire collection of manuals, guidelines, standards and specifications provided to Franchisee in connection with the development, construction and operation of the Studio. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. If Franchisee, intentionally or otherwise through its gross negligence, compromises the secure access to the online version of the Manual (or any hard copy of the Manual), including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the System.

6.5 **Continuing Services**. Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Studio as Franchisor deems advisable in its discretion. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals.

6.6 **Approved Suppliers, Products and Services Lists**. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services and products, including, but not limited to, yoga fitness equipment and gear, and other materials and supplies used in the operation of the Studio. Franchisor, or an affiliate of Franchisor, may be a designated or approved supplier of certain equipment, gear, merchandise, apparel and supplies.

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

6.8 **National Marketing Fund.** Franchisor may, in its sole discretion, and depending on the quantity of franchised Studios, their locale, and the cost of effective media, institute, maintain and

administer a national marketing fund for such advertising or public relations programs as Franchisor, in its discretion, may deem necessary or appropriate to advertise and promote the Ritual Hot Yoga brand pursuant to Section 9.1 of this Agreement.

6.9 **Grand Opening Advertising Assistance.** Franchisor shall consult and advise Franchisee on the advertising, marketing and promotion for the grand opening of the Studio, as Franchisor deems appropriate in its discretion.

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

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

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

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

C. Franchisee recognizes that the System will evolve. The fitness industry must respond to new fads, new forms of exercise, new equipment and new training techniques. The System must change to meet customer demands. Franchisee further understands that yoga fitness equipment and other equipment wears out, breaks down, or becomes obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace items of the Trade Dress or Studio equipment as may be necessary for the Studio to conform to the standards for new Studios. Further, Franchisee will be required to thoroughly modernize or remodel the Studio when requested by Franchisor, but no more than once every 5 years. This may include replacing yoga/fitness equipment and gear, and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating the Studio, and Franchisee agrees to incur, without limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements. Within 60 days after receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes and Franchisee must submit those plans to Franchisor for its approval. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor, or its Affiliate, will hold themselves, and the Studios they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee.

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

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

7.2 **Lease**. Franchisee is solely responsible for purchasing or leasing a suitable site for the Studio. Franchisee must submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Ritual Hot Yoga Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the System and proprietary marks thereof;" and (3) a conditional assignment clause to be contained in a lease rider in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non- renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 6 ("Lease Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Studio. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

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

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

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

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

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

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

F. Complete development of and have the Studio open for business not later than six (6) months after the date that Franchisor accepts this Agreement; and

7.4 **Franchisee's Responsibility.** Although Franchisor may provide Franchisee with various

standard or sample plans and specifications with respect to constructing and equipping the Studio, it is Franchisee's sole responsibility to construct and equip the Studio in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee further acknowledges and agrees that Franchisee is, and will continue to be at all times during the Term, solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Studio, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained. Franchisee acknowledges that nothing in this Agreement shall, or may be construed to, create any type of employer or joint employer relationship between (a) Franchisee or any of Franchisee's personnel, and (b) Franchisor in any matter.

8. STUDIO IMAGE AND OPERATING STANDARDS

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

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

8.3 **Personnel.** Franchisee agrees to employ in the operation of the Studio only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the System. Franchisee agrees to staff the Studio at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards. Throughout the term of this Agreement the Studio shall be managed by a full-time Designated Operator (Franchisee or one of its operating principals) or Designated Manager, each having completed the Owner Operator Training Module; and a minimum of two (2) full-time Teachers who have completed the Ritual Teacher Training Module.

Franchisee shall be considered the employer of all employees and independent contractors of the Studio. It is the sole responsibility of Franchisee to hire, discipline, discharge and establish wages, hours, benefits, employment policies and other terms and conditions of employment for its employees and independent contractors. Franchisee is responsible for obtaining its own independent legal advice regarding the employment of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisor shall have no responsibility for the terms and conditions of Franchisee's relationship with Franchisee's employees and/or independent contractors. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required.

8.4 Products and Services to be Offered for Sale.

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

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

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

D. Franchisee will offer and sell rights of access to the Studio, referred to as a "Membership" or "Memberships." All Memberships must be evidenced by a standard written agreement in the form provided by Franchisor in the Manual (the "Ritual Hot Yoga Membership Agreement"), and may not be for a term that extends beyond the expiration of this Agreement. Franchisee may not modify the Ritual Hot Yoga Membership Agreement without Franchisor's prior written consent. Notwithstanding the foregoing, Franchisee is responsible for ensuring that the Ritual Hot Yoga Membership Agreements comply with all laws applicable to the Studio and Franchisee may modify the Ritual Hot Yoga Membership Agreements to the extent necessary to comply with applicable laws, provided that

Franchisee provides Franchisor with immediate notice of such modifications. Franchisee acknowledges that, subject to the preceding sentence, any Ritual Hot Yoga Membership Agreement that has been modified without Franchisor's consent shall be void.

E. Franchisee and its Authorized Teachers must provide the Approved Services using the appropriate inventory, supplies, equipment and methodology consistent with the Owner/Operator, Manager and Teacher Training Programs and all other training, as well as in the Manuals and training materials the Franchisor provides in connection with the Franchised Business. Franchisee agrees not to add any exercises, stretches, choreography, or positions, or otherwise attempt to modify the Approved Services and methodology associated therewith, that are not approved by Franchisor, including omitted any portions of the instructional programs and classes that are prescribed as part of the System specifications and/or communicated during the Teacher Training Program.

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

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

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

I. Franchisee may not solicit members inside the protected territories granted to other Ritual Hot Yoga franchisees, or territories held by Franchisor, its affiliates, or Licensor. Unless Franchisor agrees otherwise, Franchisee may not actively solicit potential members or customers, or otherwise promote the Franchised Business through any targeted advertising/marketing, outside of the Designated Territory or inside the protected territories granted to other System franchisees, or territories held by Franchisor, its affiliates, or Licensors. Nothing in this Agreement, however, shall prohibit Franchisee from servicing members and other customers that contact Franchisee or the Studio, regardless of where those members/customers reside or work. Franchisee is not entitled to any compensation, allowance, payment or other consideration on account of any members who live or work within its protected territory and who become members of Studios operated by other System franchisees or affiliates.

J. Unless Franchisor approves or directs otherwise, Franchisee agrees not to sell vitamins, supplements, other nutritional products, food items or bottled water at the Studio. Also, unless the franchisor directs otherwise, Franchisee must provide complimentary bottled water at the Studio.

8.5 Compliance with Laws.

A. Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Studio, obtain all municipal and state permits, certificates or licenses necessary to operate the Studio and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsibility to investigate and comply with any applicable laws in the state where the Studio is located that are specific to the operation of a health/fitness studio. For example, some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. Franchisee shall operate and maintain the Studio in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to immediately provide Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Studio. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys' fees and costs) arising from or related to any breach of the certifications set forth in this paragraph.

B. Franchisee shall honor all credit, charge, courtesy and cash cards that Franchisor approves in writing. To the extent Franchisee stores, processes, transmits or otherwise accesses or possesses cardholder data in connection with the sale of products and services at the Studio, Franchisee is

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

8.6 **Operational Efforts.** Franchisee may appoint a Designated Manager to assist in the direct, day-to-day, supervision of the operations of the Studio, provided that Designated Manager successfully completes the Designated Manager Module prior to commencing any management responsibilities at the Studio. Franchisee agrees to keep Franchisor advised, in writing, of any manager and all teachers involved in the operation of the franchised business and their contact information. Franchisee agrees to keep the Studio open for the hours stated in the Manual and as deemed appropriate by Franchisor. If Franchisee does not have a Designated Manager, then Franchisee (or its Operating Principal, as applicable) must be on-site at the Studio during normal business hours to manage day to day operations.

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

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

9. ADVERTISING AND MARKETING

9.1 **Marketing Fund**.

A. Franchisee will be required to pay the appropriate Fund Contribution to Franchisor as described in Section 5.6 of this Agreement. In the event Franchisor increases the Fund Contribution from what it is as of the date this Agreement is signed, Franchisor will provide at least 60 days' written notice of such increase in the Fund Contribution. The Fund is maintained and operated by Franchisor to meet the costs of conducting regional and national advertising and promotional activities, as well as other brand development activities, as Franchisor determines appropriate in its discretion.

B. The Fund will be administered, managed and controlled solely by Franchisor, but Franchisor shall have the right to establish a Fund Committee (the "MFC") to serve in an advisory capacity only.

C. If formed by Franchisor, the MFC will be purely advisory in nature and will have no operational or ultimate decision-making authority. Franchisee agrees that the Fund may be used to, among other things: pay the costs of preparing and producing associated materials and programs as Franchisor may determine, including the use of social media; formulating, developing and implementing advertising and promotional campaigns; video, audio and written advertising materials employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional, national and multi-regional advertising programs including purchasing direct mail and other media advertising, website development/operation and to pay Internet, Intranet, URL, 800 or similar number, and other charges, fees and/or expenses, including employing advertising agencies to assist with marketing efforts; supporting public relations, market research and other advertising, promotional and marketing activities; the reasonable costs of administering the Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to Franchisor's employees engaged in administration of the Fund and/or creation, development and/or placement of any creative and/or implementation of any campaigns associated with the same. Franchisee further agrees and acknowledges that a brief statement regarding the availability of System franchises may be included in advertising and other items produced using the Fund.

D. Franchisor may spend in any calendar year more or less than the total Advertising Contributions to the Fund in that year. Franchisor may cause the Fund to invest any surplus for future use by the Fund. Franchisor may borrow from Franchisor or other lenders on behalf of the Fund to cover deficits of the Fund.

E. Franchisor and/or any Franchisor-Related Persons/Entities can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Fund.

F. The Fund will be accounted for separately from Franchisor's other funds and Franchisor will not use the Fund for its general operating expenses. All taxes of any kind incurred in connection with or related to the Fund, its activities, contributions to the Fund and/or any other Fund aspect, whether imposed on Franchisor, the Fund or any other related party, will be the sole responsibility of the Fund. All interest earned on monies contributed to, or held in, the Fund will be remitted to the Fund and will be subject to the restrictions of the relevant Franchise Agreement(s). Franchisor need not have the Fund audited, but has the right to get the Fund audited as it determines appropriate in its discretion and use Fund expenditures to cover all costs associated therewith. Franchisor will also make an unaudited, basic accounting of the Fund expenditures for a given fiscal year available to Franchisee, upon Franchisee's written request, after 120 days have passed since the end of that fiscal year.

G. Franchisee acknowledges that the Fund Contributions are intended to maximize general public recognition of and the acceptance of the Intellectual Property for the benefit of the System as a whole. Notwithstanding the foregoing, Franchisor undertakes no obligation, in administering the Fund

Contributions to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution, or to insure that any particular Studio or Franchised Business benefits directly or pro rata from advertising or promotion conducted with the Fund Contributions.

H. Franchisor maintains the right to terminate the collection and disbursement of the Fund Contributions and the Fund. Upon termination, Franchisor will disburse the remaining funds for the purposes authorized under this Agreement.

I. In the event Franchisor or any Affiliate of Franchisor owns and operates a Studio utilizing the System, these "company-owned" Studios may contribute to the Fund on the same basis that franchised Studios in the System are required to contribute.

9.2 Grand Opening Marketing; Local Marketing Activities

A. **Grand Opening.** Franchisee must spend between Eighteen Thousand Dollars ($18,000) and Twenty Six Thousand Dollars ($26,000) in connection with the grand opening and initial launch marketing of the Studio around the time the Studio opens, as reasonably directed by Franchisor (the "Grand Opening Marketing Spend"). Franchisor may also require that Franchisee expend all or any portion of the Grand Opening Marketing Spend on initial marketing/advertising and/or public relations materials or services that are purchased from an Approved Supplier.

B. **Local Advertising Requirement.** Franchisee is responsible for local advertising and marketing activities to attract members to the Studio. Franchisee must expend at least $4,000 per month on approved local advertising and marketing activities designed to promote the Studio within the Designated Territory. Franchisee is required to use the marketing/advertising services of our Approved Supplier for the first two years. After two years, franchisee may change the service provider. The service provider must be approved by the Franchisor. We may continue to require you to spend some portion of your Local Advertising Requirement on marketing activities or materials that are provided by our designated supplier for these services. Upon Franchisor's written request, Franchisee must provide Franchisor with an accounting of all expenditures made by Franchisee to comply with this Section, along with any invoices or other documentation to support such expenditures.

C. **Advertising Standards.** All of Franchisee's local advertising and marketing must be in such media, and of such type and format as we approve and must conform to such standards as we specify in our communications with you or as stated in the Manual. Franchisee's advertising will be in good taste and conform to ethical and legal standards and Franchisor's requirements. Franchisor may require Franchisee to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media channel, including, Print, Signage, Video, Websites, Social Media, E-mail or otherwise. Franchisor retains the right to approve or disapprove of such advertising or media channel in its sole discretion. Franchisee agrees not to use any materials or programs disapproved by Franchisor.

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

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

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

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

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

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

10.2 **Right to Conduct Audit or Review**. Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, to examine, audit, or request copies of all information pertaining to the Studio, including, without limitation, financial records, books, tax returns, papers, and business management software programs of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and

System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Studio or Franchisee's head office (if different), or both, and Franchisee agrees to provide all information pertaining to the Studio requested by Franchisor during its review. If the review is done because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

10.3 Computer System, Software Data Usage and Protection

A. Franchisee must acquire a computer for use in the operation of the Studio. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class schedules and other business information promptly in the computer system and use the software that Franchisor specifies or otherwise approves. Franchisee must upgrade and maintain the computer system and software in the Studio, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time.

B. Data, including names, addresses, contact information, and credit card or payment information of students/members of the Studio will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Studio that is stored on the required software and online. Franchisor may use such information to communicate directly to the members of the Studio, and to provide updates, information, newsletters, and special offers to the members; or to use the data for sales analysis and marketing purposes. Franchisee is permitted to use the data for the purposes of operating the Studio and is not permitted to sell or transfer any of the data to any third parties, other than for purposes of increasing business and improving operations at the Studio or in connection with an assignment of the Franchise Agreement, unless we agree in writing. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the member/student information and Franchisor shall be the sole owner of such information.

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

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

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

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

10.4 Insurance.

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

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

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

	Type of Insurance Coverage	**Amount of Coverage**
A	Commercial General Liability including Product Liability and Personal and Advertising Injury	$1,000,000 per occurrence, $2,000,000 in the aggregate
B	Fire Damage to Rented Premises	$500,000
C	Medical Expenses (per individual)	$5,000
D	Professional liability (for owners and employees) including abuse and molestation	$500,000 per occurrence
E	Hired and Non-owned Auto Liability – if required	$1,000,000 per claim
F	Property - Special Form, including mechanical breakdown – must be 100% replacement cost with no co-insurance	Subject to actual cost of business property at location
G	Improvements and Betterments – must be 100% replacement cost with no co-insurance	Amount based on actual costs of Improvements and Betterments
H	Business Income (12 months)	Actual loss sustained
I	Crime (employee dishonesty, theft, and robbery)	$10,000 per occurrence
J	Cyber Liability (Internet security and privacy insurance)	$25,000 per occurrence and in the aggregate
K	Employment Practices Liability Insurance	$1,000,000 per occurrence and

	Type of Insurance Coverage	Amount of Coverage
		$1,000,000 in the aggregate
L	Deductible	$5,000 max
M	Defense Costs	Included in policy liability limits
N	Commercial Umbrella Liability	$4,000,000 per occurrence and $4,000,000 in the aggregate
O	Workers Compensation	$1,000,000 per occurrence
P	Employers Liability or 'Stop Gap' Insurance	$1,000,000 per occurrence; $2,000,000 in the aggregate

(3) ALL RISK" or special form property coverage of no less than current replacement cost of the Studio's equipment, fixtures and leasehold improvements (tenant improvements) sufficient in the amount to restore the Studio to full operations. Glass coverage no less than a limit of $25,000 and sign coverage no less than a limit of $10,000 in addition to equipment, fixtures and leasehold improvements;

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

(5) Auto Liability (Hired and Non-owned autos) with a $1,000,000 Combined Single Limit Each Accident for Bodily Injury and Property Damage, if Franchisee utilizes a vehicle in connection with the operation of the Studio; and

(6) Employment Practices Liability with a limit no less than $1,000,000 per claim and $1,000,000 aggregate per location. The retention may not exceed $1,000.

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

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

D. Franchisor reserves the right to designate, or require pre-approval of, the provider of any insurance required in connection with the Studio.

E. Franchisee's obligation to obtain and maintain insurance shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. All insurance shall name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change or cancellation to any such policy. Franchisee shall give Franchisor certificates of coverage at

least annually. Failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.1, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Studio. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

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

11.2 Indemnification. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement or in connection with the offer/sale of the Studio prior to the execution of this Agreement, and/or (b) ownership, construction, development, management, or operation of the Studio in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

12. CONFIDENTIAL INFORMATION

12.1 Franchisor's Confidential Information.

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Studio, including, without limitation, the Manual, Franchisor's training program, members and supplier lists, or other information or know-how distinctive to a Ritual Hot Yoga Franchise (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Licensor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to Franchisee's Studio employees, including independent contractors, with a need to know the information in order to operate the Studio. Franchisor has the right, in compliance with state laws, to require any officer, director, executive, manager or member of the professional staff, independent contractor or employee of the Studio to execute a nondisclosure and non-competition agreement, in a form satisfactory to Franchisor, upon execution of the Franchise Agreement or prior to each such individual's affiliation with the Franchisee. The current form of nondisclosure and noncompete agreement is attached as an exhibit to our Franchise Disclosure Document and may be modified upon written notice to Franchisee via the Manual or other written communication. Franchisor may be a third party beneficiary with the right to enforce covenants contained in such agreements or, at our option, we will be a direct party to the agreement. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Studio and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees or independent contractors learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

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

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

12.3 Injunctive Relief. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the

requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees (and interest on such fees, costs and expenses) incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

13. COVENANTS NOT TO COMPETE

13.1 Non-Competition Covenants of Franchisee.

A. During the Term of this Agreement. Neither Franchisee, its principals, owners, or guarantors, nor any immediate family of Franchisee, its principals, owners, or guarantors ("Restricted Parties"), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with (a) any yoga studio or other business that provides fitness or exercise classes, any fitness or exercise marketing or consulting business, or any business offering products of a similar nature to those of the Studio, or (b) in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses ("Competing Business"). Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

B. After the Term of this Agreement. For two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement or after Franchisee has assigned its interest in this Agreement, the Restricted Parties shall not own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with, any other Competing Business within a ten (10) mile radius of (a) the site of the Franchisee's former franchised Studio, or (b) any other Ritual Hot Yoga brand Studio, whether franchised or owned by Franchisor or any of Franchisor's affiliates.

13.2 Franchisor's Right to Offer Franchise to Employee of Franchisee.

A. During the Term of this Agreement. Franchisee agrees not to employ or seek to employ any person employed by Franchisor or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment during the term of this Agreement, without first obtaining the consent of Franchisor or any other franchisee of Franchisor. Teachers and sales staff may work at more than one Studio. Franchisee acknowledges that Franchisor has the right to offer to sell or to sell a Ritual Hot Yoga franchise to any employee of Franchisee.

B. After the Term of this Agreement. For two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement or after Franchisee has assigned its interest in this Agreement, the Restricted Parties shall not (a) solicit business from customers of Franchisee's former Studio, (b) contact any of Franchisor's suppliers or vendors for any competitive business purpose, or (c) solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment.

13.3 Enforcement of Covenants.

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

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

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

14. TRANSFER OF INTEREST

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

14.2 Right of First Refusal.

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

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

14.3 Conditions for Approval of Transfer. Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a transfer fee in an amount equal to $10,000; (2) Franchisee signs a general release of all claims in Franchisor's standard form; (3) the Studio and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it is necessary; and (4) the transferee (a) completes (or has its Operating Principal complete) the Owner/Operator Module and has its Designated Manager complete the Designated Manager Training Program, and (b) has at least one (1) Authorized Teacher that has completed any requisite training prior to resuming the provision of Approved Services at the Studio.

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

14.5 Death or Disability of Franchisee. In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust,

personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible supervisorial or managerial personnel or agents of Franchisee have been satisfactorily trained at Franchisor's Initial Training) nor obligate Franchisee to pay any transfer fee. If Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Studio, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Studio on behalf of Franchisee. Franchisee shall be obligated to, and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the Franchisor appointed manager. Operation of the Studio during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, loses or obligations incurred by the Studio, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Studio during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

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

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

15. DEFAULT AND TERMINATION OF AGREEMENT

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

15.2 **Termination of Franchise by Franchisor**. Franchisor shall have the right to terminate this Agreement for "good cause" upon delivering notice of termination to Franchisee. For purposes of this Agreement, "good cause" shall include, without limitation: (i) a material breach of this Agreement or any

other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, (ii) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, and (iii) the breaches set forth below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Franchisee shall immediately terminate all advertising and promotional efforts and any

other act that would in any way indicate that Franchisee is or was ever an authorized Ritual Hot Yoga franchisee;

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

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

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

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

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

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

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

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

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

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

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

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

16. RESOLUTION OF DISPUTES

16.1 Governing Law. This Agreement and all related Agreements take effect upon their acceptance and execution by Franchisor in the State of Illinois and any matter whatsoever which arises out of or is connected in any way with the Agreement or the franchise shall be governed by, construed and enforced in accordance with the laws of the State of Illinois, which laws shall prevail in the event of any conflict of law; provided, however, that if any provision of this Agreement would not be enforceable under the laws of Illinois, then such provisions shall be interpreted and construed under the laws of the state in which the premises of the Studio is located. Notwithstanding the foregoing, the parties specifically agree and acknowledge that all claims, causes of actions or disputes related to Franchisee's covenants not to compete set forth in Section 13 of this Agreement, including the interpretation, validity and enforcement thereof, shall be governed by the laws of the state where the Studio is located.

16.2 Mediation, Mandatory Binding Arbitration, and Waiver of Court Trial. Franchisee and Franchisor believe that it is important to resolve disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Franchisee and Franchisor have agreed that

the provisions of this Section 16 support these mutual objectives and, therefore, agree as follows:

A. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

B. **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect.

Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a written notice to Franchisor, which specifies, the details and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation.

Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor.

Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (a) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information or other confidential information; (b) any of the restrictive covenants contained in this Agreement; and (c) any of Franchisee's payment obligations under this Agreement.

C. **Mandatory Binding Arbitration**. Except as provided in Section 16.3 of this Agreement, Franchisee and Franchisor agree that any claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where either party is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner:

i) Franchisee and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section 16.3 below;

ii) All Claims shall be submitted to and resolved by binding arbitration that will take place at Franchisor's headquarters or other location that Franchisor designates in Cook County, Illinois, before and in accordance with the arbitration rules of the American Arbitration Association. Judgment

upon the award rendered by the arbitrator shall be entered in any Court having jurisdiction thereof.

iii) Franchisor and Franchisee agree that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

iv) This arbitration provision shall be deemed to be self-executing, and in the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear.

v) In no event shall Franchisor be liable to Franchisee for punitive damages in any action arising out of or relating to this Agreement, or any breach, termination or cancellation hereof.

vi) Any arbitration proceeding involving this Agreement or the Studio generally, including all demands, other filings and evidence submitted in connection with such proceeding, must be kept strictly confidential by Franchisee and its representatives, unless Franchisor agrees otherwise in writing.

16.3 Other Proceedings (Right to Injunctive Relief). Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Marks and Confidential Information (including any proprietary software used in connection with the Studio); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the United States Trademark Act, or otherwise involving the Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) the prohibition of any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

16.4 Choice of Forum.

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

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

C. Franchisee acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 16.3 above, including to enforce Franchisee's noncompete obligations hereunder.

16.5 Waiver of Punitive Damages.

Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

16.6 Waiver of Jury Trial.

The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver shall apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this agreement, the performance of either party, and/or franchisee's purchase from franchisor of the franchise and/or any goods or services.

16.7 Waiver of Class Actions.

The parties agree that all proceedings arising out of or related to this agreement, or the sale of the franchised business, will be conducted on an individual, not a class-wide basis, and that any proceeding between franchisee, franchisee's guarantors and franchisor or its affiliates/officers/employees may not be consolidated with any other proceeding between franchisor and any other third party.

16.8 Attorneys' Fees and Costs.

A. If legal action or arbitration is necessary to enforce the terms and conditions of this Agreement, the prevailing party shall be entitled to recover reasonable compensation for preparation, investigation, court costs, arbitration costs (if applicable) and reasonable attorneys' fees, from the non-prevailing party as fixed by an arbitrator or court of competent jurisdiction.

B. Separate and distinct from the right of a prevailing party to recover expenses, costs and fees in connection with any legal proceeding or arbitration, the prevailing party shall also be entitled to receive all expenses, costs and reasonable attorneys' fees incurred in connection with the enforcement of any arbitration award or judgment entered. Furthermore, the right to recover post-arbitration award and post-judgment expenses, costs and attorneys' fees shall be severable and shall survive any award or judgment and shall not be deemed merged into such judgment.

16.9 No Withholding of Payments.

Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

16.10 Limitation of Actions.

Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

16.11 Third Party Beneficiaries.

Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 16, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

17. MISCELLANEOUS PROVISIONS

17.1 Severability.

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

17.2 Waiver and Delay.

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

17.3 Designation of Responsible Parties.

Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest

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

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

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

Designated Operator(s): _____

17.4 Franchisor's Discretion.

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

17.5 Notices.

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

If to Franchisor:
Ritual Franchising Company LLC
Franchisor Address:
1100 N. Lake Shore Drive
Chicago, Illinois 60611

If to Franchisee:

B. The addressees herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand.

17.6 No Recourse Against Nonparty Affiliates.

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

18. ACKNOWLEDGMENTS

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

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

18.3 FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COMPLETE COPY OF THIS AGREEMENT FOR A PERIOD NOT LESS THAN FOURTEEN (14) CALENDAR DAYS, DURING WHICH TIME FRANCHISEE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS LICENSED HEREUNDER TO THE EXTENT OF FRANCHISEE'S DESIRE TO DO SO. FRANCHISEE RECOGNIZES AND ACKNOWLEDGES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS, AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF THE FRANCHISEE AS AN INDEPENDENT BUSINESSPERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, THAT FRANCHISEE WILL BE SUCCESSFUL IN THIS VENTURE OR THAT THE BUSINESS WILL ATTAIN ANY LEVEL OF SALES VOLUME, PROFITS, OR SUCCESS. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT ("FDD"), AND THE EXHIBITS HERETO CONSTITUTE THE ENTIRE AGREEMENT OF THE PARTIES. THIS AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER.

18.4 FRANCHISEE AGREES AND ACKNOWLEDGES THAT FULFILLMENT OF ANY AND ALL OF FRANCHISOR'S OBLIGATIONS WRITTEN IN THIS AGREEMENT OR BASED ON ANY ORAL COMMUNICATIONS WHICH MAY BE RULED TO BE BINDING IN A COURT OF LAW SHALL BE FRANCHISOR'S SOLE RESPONSIBILITY AND NONE OF FRANCHISOR'S AGENTS, REPRESENTATIVES, NOR ANY INDIVIDUALS ASSOCIATED WITH FRANCHISOR'S FRANCHISE COMPANY SHALL BE PERSONALLY LIABLE TO FRANCHISEE FOR ANY REASON. THIS IS AN IMPORTANT PART OF THIS AGREEMENT. FRANCHISEE AGREES THAT NOTHING THAT FRANCHISEE BELIEVES FRANCHISEE HAS BEEN TOLD BY FRANCHISOR OR FRANCHISOR'S REPRESENTATIVES SHALL BE BINDING UNLESS IT IS WRITTEN IN THIS AGREEMENT. THIS IS AN IMPORTANT PART OF THIS AGREEMENT. DO NOT SIGN THIS AGREEMENT IF THERE IS ANY QUESTION CONCERNING ITS CONTENTS OR ANY REPRESENTATIONS MADE.

19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Ritual Hot Yoga Franchisee at the Studio location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except

for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

[Signatures on Following Page]

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

FRANCHISOR	**FRANCHISEE**
Ritual Franchising Company LLC	
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 1: AUTHORIZED LOCATION ADDENDUM

This Addendum is made to the Ritual Hot Yoga Franchise Agreement (the "Franchise Agreement") between Ritual Franchising Company LLC, ("Franchisor"), and_____ ("Franchisee"), dated _____, 20____.

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

2. **Authorized Location.** The parties hereto agree that the Authorized Location referred to in Section1.3 of the Franchise Agreement shall be the following:

_____.

3. **Designated Territory, if any.** Pursuant to Section 1.3 of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

_____.

This Addendum is agreed to and accepted by the parties this_____day of_____, 20__.

FRANCHISOR	**FRANCHISEE**
Ritual Franchising Company LLC	
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 2: ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the "Agreement") is made on this _____day of _____, 20____ by and between Ritual Franchising Company LLC("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

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

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

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

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

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

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

withdrawals from such bank account by EFT as this Addendum permits.

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

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

FRANCHISOR	**FRANCHISEE**
Ritual Franchising Company LLC	
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 3: ELECTRONIC DEBIT AUTHORIZATION

FRANCHISOR: Ritual Franchising Company LLC.

The undersigned hereby authorizes Ritual Franchising Company LLC("Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the bank or depository named below (the "Bank"), to debit the same to such account.

Bank Name: _____

Bank Address: _____

City State and Zip Code: _____

Transit/ABA No.: _____

Account Number: _____

Account Name _____

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

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

Franchisee:

By:

Name:

Title:

Date:

EXHIBIT 4: PERSONAL GUARANTY, INDEMNIFICATION AND ACKNOWLEDGEMENT

THIS GUARANTY, INDEMNIFICATION AND ACKNOWLEDGEMENT is given this _____ _____day of 20 ____, by _____, (each a "Guarantor").

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Franchise Agreement") by and between Ritual Franchising Company LLC (the "Franchisor"), and_____ _____("Franchisee"), each of the undersigned owners, partners, shareholders or members of Franchisee, and their respective spouses or legal/domestic partners (each, a "Guarantor") jointly and severally, hereby unconditionally guarantees to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary and non-monetary obligations related to: confidentiality and non-disclosure; indemnification; the Proprietary Marks; the in- term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue, attorneys' fees and other dispute resolution provisions arising under or by virtue of the Franchise Agreement.

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

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

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

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

This Guaranty shall terminate upon the expiration or termination of the Franchise Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s),

and all covenants that by their terms continue in force after termination or expiration of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guaranty, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guaranty and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise. The use of the singular herein shall include the plural. Each term used in this Guaranty, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guaranty is to be performed in Chicago, Illinois and shall be governed by and construed in accordance with the laws of the State of Illinois. Guarantor(s) specifically agree that the state and federal courts situated in the State of Illinois shall have exclusive jurisdiction over Guarantor(s) and this Guaranty, except as may be determined by a court of competent jurisdiction. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guaranty shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

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

For: **Franchisee**

By: **Guarantor(s)**

Guarantor Name	**Title**	**Ownership Percentage**	**Signature**	**Date**

EXHIBIT 5:
COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTINGS, INTERNET ADDRESSES AND SOCIAL MEDIA PAGES

THIS COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTINGS, INTERNET ADDRESSES AND SOCIAL MEDIA PAGES ("**Assignment**") is entered into this_____day of_____, 20___, pursuant to the requirements of the Ritual Hot Yoga Franchise Agreement ("**Franchise Agreement**") between_____ ("**Franchisee**") and Ritual Franchising Company LLC, an Illinois limited liability company ("**Franchisor**"), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to operate a franchised Ritual Hot Yoga business (the "**Studio**"), as follows:

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

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

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

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

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

ASSIGNEE:	**ASSIGNOR:**
Ritual Franchising Company LLC	**Franchisee**
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

ACCEPTED AND AGREED TO BY:

(Name of Company)

By: (Signature Authorized Representative)

Name: (Authorized Representative)

Date:

EXHIBIT 6: ADDENDUM TO LEASE

This ADDENDUM TO LEASE, dated _____, 201___(the "**Addendum**") is entered into by and among _____, a ("**Landlord**"), _____, a ("**Tenant**"), and Ritual Franchising Company, an Illinois limited liability company ("**Franchisor**"), pursuant to the requirements of the Ritual Hot Yoga Franchise Agreement ("**Franchise Agreement**") between Tenant and Franchisor:

RECITALS

Landlord and Tenant have entered or are about to enter into a lease, dated _____, 201___, for premises located at _____(the "**Lease**") where Tenant intends to operate a "Ritual Hot Yoga" franchised studio (the "**Premises**") pursuant to a Franchise Agreement (the "**Franchise Agreement**") with Franchisor (the "**Franchised Business**"). The intent of this Addendum is to preserve the Premises as a Ritual Hot Yoga branded franchise location and to provide certain rights to Franchisor. This Addendum is required by Tenant's Franchise Agreement and incorporated into the body of the Lease. To the extent the terms of this Addendum conflict with the Lease, the terms of this Addendum shall control.

AGREEMENT

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Landlord, Tenant and Franchisor as follows:

1. **Independent Operations**. Tenant's operations at the Premises are independently owned and operated and Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or a substitute franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises pursuant to Section 8 below.

2. **Lease Term**. If the Lease contains any option to renew, the term of the renewal period shall be equal to five (5) years, or a renewal period to coincide with the expiration date of the franchise agreement. If the Lease does not contain an option to renew, Tenant shall have the option to renew the Lease for one (1) additional five (5) year period, or a renewal period to coincide with the expiration date of the franchise agreement, under the same terms and conditions as the original Lease, however Landlord shall have the option to increase the rent in accordance with reasonable then-current local market rents for premises similar in like, kind, location and square footage as the Premises.

3. **Approved Use**. Tenant shall have the right to use the premises for an exercise studio offering the following: exercise classes in the Ritual Hot Yoga style which combines various yoga practices, techniques and teaching methods conducted in a prescribed studio environment; workshops for students/members; promotional events; and the retail sale of related products, clothing and accessories, as well as for any other lawful purpose.

4. **Remodeling, Décor and Tenant Signage**. Landlord agrees that Tenant shall have the right to display such proprietary marks and signs on the interior and exterior of the Premises (including any Pylon or monument signs) as Tenant is reasonably required to do pursuant to the Franchise Agreement or directives by Franchisor and to the maximum extent permitted by local governmental authorities. The Tenant has the right to change or alter the signage at any time during the term of the Lease provided the signage is in compliance with applicable governmental codes and regulations. Landlord shall not permit the erection of signs or structures on the property where the Premises is located to obstruct the view of the Premises or its signage.

Landlord agrees that Tenant shall have the right to remodel, equip, paint and decorate the interior of the Premises pursuant to the requirements of the Ritual Hot Yoga Franchise Agreement. The Ritual Hot Yoga business model requires that the space must be prepared to accommodate a lobby, reception area, workout area, lavatories and showers and that certain areas of the Studio space must be maintained at specified temperature and humidity settings. The construction or remodeling of the Studio may include renovating walls, ceilings, floors and additionally include electrical, plumbing, HVAC and carpentry work. All Studio renovations will be in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency.

5. **Approval of Lease Modifications**. Landlord and Tenant shall not amend, assign, sublease, terminate or otherwise modify the Lease without Franchisor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Any amendment, assignment, sublease, termination or other modification of the Lease without Franchisor's prior written approval, shall be null and void and of no force or effect.

6. **Noise and Nuisance**. Landlord acknowledges that sound and music will be generated from the Premises at levels similar to other exercise studios, and such sound emitted from the Premises shall not be considered a violation of the Lease. Landlord shall not make any rule or regulation for conduct at the Premises or in the common areas in which the Premises are located that interferes with Tenant's intended use of the Premises or renders Tenant unable to conduct its business in the ordinary course without modification to the Premises. Tenant shall operate in compliance with all applicable codes including noise ordinances and agrees to use commercially reasonable efforts to minimize any unreasonable disruption to other tenants in the Premises.

7. **Assumption of Lease by Franchisor**.

(a) Franchisor (or any entity owned or controlled by, or under common control with, Franchisor) shall have the right to assume all of Tenants' right, title and interest in the Lease after (i) the termination, or expiration and non-renewal, of the Franchise Agreement, or (ii) default or termination of the Lease. Franchisor shall notify Landlord in writing of its intent to exercise its right to assume the Lease under this Section 8(a) within thirty (30) days after the occurrence of any instance described in the preceding sentence. Promptly upon exercise of Franchisor's right of assumption hereunder, Landlord shall deliver possession of the Premises to Franchisor. If Franchisor assumes the Lease after an event of default under the Lease, Franchisor shall have thirty (30) days after Landlord delivers possession of the Premises to cure the default(s) stated in the written notice of default first provided to Tenant and Franchisor in accordance with Section 10 below. Tenant shall indemnify, defend and hold harmless Franchisor against and from any and all liability, loss, damage, cost or expense (including reasonable attorney's fees) that Franchisor may incur under the Lease or this Addendum, and against and from any and all claims and demands whatsoever that may be asserted against Franchisor by reason of any undertaking on Franchisor's part to perform or discharge any of Tenant's obligations under the Lease or this Addendum. In the event of an assumption by Franchisor, Tenant shall remain liable for its obligations under the terms of the Lease.

(b) If Franchisor assumes the Lease as provided in Section 8(a) above, Franchisor may further assign the Lease to a substitute franchisee provided that in Landlord's determination, the substitute franchisee meets or exceeds the reasonable financial qualifications of a similarly situated tenant of premises similar in like, kind, location and square footage as the Premises as of the commencement date of the Lease ("Financial Standards"). Landlord shall not withhold consent to assignment of the Lease to a

substitute franchisee unless such substitute franchisee does not reasonably meet the Financial Standards qualification. Landlord shall thereafter recognize any such substitute franchisee as the new lessee of the Premises and said substitute franchisee will be liable for, and Franchisor shall be released from, all obligations under the Lease arising after the date of such assignment. After the date of such assignment, Franchisor shall continue to have the same rights under this Addendum with respect to any substitute franchisee as provided in this Section 8. If Landlord reasonably withholds consent to a substitute franchisee, Landlord shall, within five (5) days after Franchisor's request, recapture the Premises and thereafter, Franchisor shall be fully and forever released from any liability under the Lease and this Lease Addendum.

8. **Franchisor Intellectual Property**.

(a) Pursuant to the terms of the Franchise Agreement, Tenant has agreed to grant Franchisor a security interest in the Lease and in all of the furniture, fixtures, inventory, equipment and supplies, and certain franchise specific improvements located in the Premises as collateral for the payment of any obligation, liability or other amount owed by Tenant under the Franchise Agreement. Any security interest or Landlord's lien in Tenant's furniture, fixtures, inventory, equipment and supplies in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. Notwithstanding any provisions of the Lease to the contrary, Landlord hereby consents to the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations under the Franchise Agreement. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Addendum, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

(b) In accordance with the above, upon the expiration and non-renewal, cancellation or termination of the Lease or Franchise Agreement, neither Tenant or Landlord shall retain any right, title or interest in the furniture, fixtures, inventory, equipment, certain franchise specific improvements, copyrighted materials (such as Franchisor's confidential Manual), or supplies located in the Premises, or any property bearing Franchisor's intellectual property, trademarks, trade-dress or patents (collectively, the "**Intellectual Property**"). The parties acknowledge and agree that the design of the exercise rooms and retail/lobby area of the Franchised Business at the Premises constitutes Franchisor's trade-dress and Intellectual Property. In the event the Franchise Agreement expires or is terminated, Tenant is obligated under the terms of the Franchise Agreement to take certain steps to de-identify the Premises as a Ritual Hot Yoga Franchised Business. If Tenant fails to satisfy its obligation to so de-identify, Franchisor shall have the right to enter the Premises to remove its Intellectual Property and otherwise de-identify the Premises. In such an event, Landlord agrees to assist and permit Franchisor, its personnel or agents, to enter the Premises and remove furniture, fixtures, equipment, inventory, and supplies, including signs, decor and materials displaying any Intellectual Property owned by Franchisor. Franchisor shall repair any damage to the Premises caused by Franchisor in removing the above items within thirty (30) days of Landlord's written notification of such damage. In the event Franchisor fails to remove its Intellectual Property, or any material bearing the Intellectual Property, within fourteen (14) days of the expiration or termination of the Lease or Franchise Agreement, Landlord may destroy all Intellectual Property and dispose of any additional equipment without liability to Franchisor.

9. **Limitation on Use**. Landlord shall not during the term of the Lease, or during any options periods, lease any other space in the building or complex in which the Premises are located to a business that offers exercise classes related to yoga and/or the retail sale of related exercise products or apparel.

10. **Copies of Reports**. The Landlord agrees to provide copies of all revenue and other information and data in Landlord's possession related to the operation of the Tenant's Ritual Hot Yoga

Studio on a timely basis as the franchisor may request, during the term of the Lease.

11. **Notice**. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor (concurrently with the giving of such notice to the Tenant) including notice of any default by Tenant under the Lease by e-mail franchise@ritualhotyoga.com and by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

Ritual Franchising Company
1100 N. Lake Shore Drive, Chicago IL 60611
Attention: franchise@ritualhotyoga.com

12. **Consideration; No Liability**.

(a) Landlord hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and that Tenant would not lease the Premises without Landlord agreeing to be bound by the terms of this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor. For purposes of this Addendum, an "affiliate" refers to any person, corporation, firm, partnership, limited liability company, association or other entity controlling, controlled by or under common control with the person or entity in question or any individual or entity that controls such person or entity.

13. **Amendments**. Except with respect to Franchisor's right of assignment in Section 8 above, no modification of the terms of the Lease or this Addendum shall be valid unless made in writing and signed by the parties.

14. **Reaffirmation of Lease**. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect. In the event of any conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

15. **Attorneys' Fees**. In the event it becomes necessary for either party to file a suit to enforce this Addendum or any provisions contained herein, the prevailing party in such suit will be entitled to recover, in addition to all other remedies or damages, reasonable attorneys' fees and court costs incurred.

16. **Counterparts; Transmission**. A separate copy of this Addendum may be signed by each party, separately, and when each party has executed at least one copy hereof, such copies taken together shall be deemed to be a full and complete agreement between the parties and a single document. Any signature hereon may be electronically performed and transmitted and such signature shall be valid and accepted for all purposes hereof.

17. **Governing Law**. This Addendum shall be governed by, and construed and enforced pursuant to the laws governing the Lease.

18. **Severability**. If any term, section or other provision of this Addendum shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such term, section or

other provision shall not affect any of the remaining provisions of this Addendum.

19. **Successors and Assigns**. This Addendum shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

20. **Further Cooperation**. Tenant and Landlord each further agree to execute upon request of Franchisor any and all instruments requested by Franchisor to carry out the terms and conditions of this Addendum or the assignment and assumption intended hereby.

21. **Authority**. The execution of this Addendum by the signatories below has been duly authorized by each party and is binding and enforceable against each party pursuant to its terms.

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

LANDLORD:

By:

Name:

Title:

Date:

TENANT

(FRANCHISEE)

By:

Name:

Date:

FRANCHISOR

By:

Name:

Title:

Date:

Exhibit B: Multi-Unit Development Agreement

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RITUAL HOT YOGA

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this_____day of_____, by and between RITUAL FRANCHISING COMPANY LLC, an Illinois limited liability corporation, located at 1100 N. Lake Shore Drive, Chicago, Illinois 60611 ("Franchisor) and_____, a/an ("Developer").

RECITALS

A. **WHEREAS**, Franchisor has created a proprietary system (hereinafter the "System") for the development and operation of a Ritual Hot Yoga Studio (each, a "Studio") that provides (a) yoga classes/instruction and other related exercise classes, workshops, events and services that the Franchisor authorizes (collectively, the "Approved Services"), and (b) certain merchandise and other products Franchisor authorizes for sale in conjunction with the Approved Services and Studio operations (collectively, the "Approved Products"), to the general public and/or through a combination of individual, referral and membership-based programs, under the mark Ritual Hot Yoga™.

B. **WHEREAS**, Franchisor owns the System and the right to use the Proprietary Marks (as defined below), and grants the right and license to others to use the System and the Proprietary Marks; and

C. **WHEREAS,** the distinguishing characteristics of the System include, without limitation, (a) proprietary methodology for the establishment of the Studio, including site selection guidance and criteria, specifications for the distinctive design, layout and construction of the interior of the Studio, standards and specifications for the furniture, fixtures and equipment located within a Studio, established relationships with approved or designated suppliers for certain products and services; and (b) proprietary methodology for the operation of the Studio including without limitation, confidential manuals, copyrights, intellectual property rights, standards and specifications for advertising, bookkeeping, reporting, staffing models, teaching methods, training curriculum, sales and other aspects of operating a Studio; and

D. **WHEREAS**, Franchisor identifies the System and licenses the use of certain trade names, service marks, trademarks, trade dress, emblems and indicia of origin, including the mark Ritual Hot Yoga and other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing, for use with the System (the "Proprietary Marks"); and

E. **WHEREAS**, Developer desires the right to develop and operate multiple Studios under the System in a defined geographic area under a Development Schedule (the "Development Schedule") set forth in this Agreement; and Developer has applied to open and operate multiple Studios and such application has been approved by Franchisor in reliance upon all of the representations made therein; and

F. **WHEREAS,** Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted as a Studio may evolve and change over time, that an investment in a Studio involves a business risk and the success of the venture is largely dependent upon Developer's

business abilities and efforts; and

G. **WHEREAS**, Developer acknowledges, and does not contest, Franchisor's exclusive ownership and rights to each and every aspect of the System. Developer's right to developer Studios is specifically limited to the Development Area, as well as the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments of each party to the other as set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. GRANT

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, the right and obligation to develop, open and operate _____ (___) franchise Studios within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Studio shall be established and operated pursuant to a separate franchise agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in Franchisor's then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Studios within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this Agreement.

(c) This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a Studio, or to provide services, or to distribute goods, or any right or license in the Proprietary Marks.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

2. NO EXCLUSIVITY

(a) Developer receives no exclusive rights to the Designated Territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Studio in the Designated Territory.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, a Studio using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

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

from the Marks;

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

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

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

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

(vii) engage in all other activities not expressly prohibited by this Agreement.

3. DEVELOPMENT FEE

(a) As consideration for the rights granted herein, Developer shall pay to Franchisor a development fee ("Development Fee") in the amount ($ _____), which amount is equal to (1) $70,000 for the right to open two Franchised Businesses; (2) $30,000 per Franchised Business if you agree to open and operate between three and four Franchised Businesses; and (3) $25,000 per Franchised Business if you agree to open and operate between 5-6 Franchised Businesses under the terms of this Agreement.

(b) The Development Fee is to be paid simultaneously with the execution of this Agreement. The Development Fee is nonrefundable, notwithstanding any provision to the contrary contained herein or in any Franchise Agreement.

(c) Notwithstanding anything to the contrary contained in the Franchise Agreement, the Initial Franchise Fee for each Studio developed hereunder shall be satisfied by payment of the Development Fee as described above.

(d) The Development Fee shall be credited to the Initial Franchise Fee due for each of the Studios developed under this Agreement, such that no further amount is due and owing by Developer to Franchisor in connection with any or all of the Studios listed on the Development Schedule attached hereto.

(e) Developer shall submit separate site information for each Studio to be established within the Designated Territory per the site approval guidelines in the Franchise Agreement. Upon approval of the site of the Studio by Franchisor, a separate Franchise Agreement shall be executed for each such Studio. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Studio.

4. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING DEVELOPMENT RIGHTS

(a) Developer agrees to have open and in operation at the end of each development period set forth on the Development Schedule the cumulative number of Studios set forth on the Development Schedule. During each Development Period, Developer shall enter into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Studios described under the Development Schedule and have such number of Studios open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Studios set forth on the Development Schedule, provided however that such obligation does not apply to Studios that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each right to develop, open and operate a Studio granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to develop a new Studio at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a Studio until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer for a Studio at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Studio and complying with its terms without limitation.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all operational and training requirements and financial obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Studio in compliance with the System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer and Franchisor and the Studio to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

5. TERM

The term of this Agreement shall commence upon full execution of this Agreement and, unless earlier terminated by Franchisor pursuant to the terms hereof, this Agreement shall expire upon the earlier

of: (i) the date of our acceptance and signing of a Franchise Agreement for the last Studio to be developed; or (ii) ninety (90) days after the date the last Studio was scheduled to open within the Development Area pursuant to the Development Schedule.

6. DEVELOPER'S DUTIES

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement and at all times perform its obligations under this Agreement; and exert its best efforts to promote and enhance the development of Studios within the Development Area.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a Representative to oversee the development and operation of Developer's Studios. Such Representative must be a Designated Operator under a Franchise Agreement for one of the Studios to be developed under this Agreement, and shall be in addition to, not in lieu of, the managers responsible for the day to day operations of the Studios, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Studios when Developer leaves the System.

7. PROPRIETARY MARKS/CONFIDENTIALITY

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor now owns or may hereinafter own. Rights to the Marks, confidential information or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer.

8. DEFAULT AND TERMINATION

(a) The rights granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer (i) fails to exercise its rights to enter into Franchise Agreements with Franchisor pursuant to this Agreement for the Studios within any Development Period, as set forth on the Development Schedule; (ii) fails to comply with any other term or condition of this Agreement; or (iii) makes or attempts to make a transfer or assignment in violation of this Agreement or if Developer fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

(i) Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor; or

(ii) Reduce the number of Studios, without refunding any of the Development Fee, which are subject to rights granted to Developer pursuant to this Agreement; or

(iii) Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining rights granted Developer to establish Studios under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Studio for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

(f) If Developer is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Developer, Developer may terminate this Agreement and/or seek relief in

equity or at law.

9. TRANSFERABILITY

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement, any other agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer and without restriction. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), members (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder.

Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-current form of the Multi-Unit Development Agreement for a term equal to the remaining term hereof; and (iv) are willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or

corporation which conducts no business other than the business contemplated hereunder and the operation of the Studios, which is actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, members or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section 9, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any rights pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or an interest in Developer or any rights pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the rights granted thereby, shall relieve Developer and the shareholders, members or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

10. COVENANTS

(a) Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. Developer acknowledges that Franchisor has

granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. As such, Developer agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees and developers. Developer therefore agrees that, during this Agreement's term, neither Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors will:

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of a Ritual Hot Yoga Studio to a Competitive Business; or

(iv) engage in any other activity which might injure the goodwill of the Marks and/or the System.

The term "Competitive Business" means any business (other than a Ritual Hot Yoga Studio) principally offering products and services substantially similar to the products and services then being offered by the majority of Ritual Hot Yoga Studios.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation:

(i) Own, maintain, engage in, consult with or have any interest in or involvement with any Competitive Business within the Designated Territory or within a ten (10) mile radius of any other Ritual Hot Yoga Studio in operation or under construction on the later of the effective date of expiration or termination of this Agreement.

(ii) Be in involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. within a ten (10) mile radius of any other Ritual Hot Yoga Studio in operation or under construction on the later of the effective date of expiration or termination of this Agreement.

(c) Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant

were separately stated in and made a part of this Section 10.

(d) Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 10(a) or 10(b) of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that Developer shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 16 hereof. Developer agrees to pay all reasonable costs and expenses that Franchisor incurs in connection with the enforcement of this Section.

(e) Developer must ensure that all management and supervisory personnel of Developer's Studios opened under this Agreement, as well as any officers or directors of Developer, execute nondisclosure agreements in the form acceptable to Franchisor or Franchisor's then-current form of nondisclosure and noncompete Agreement. Franchisor shall have the right to require Developer to furnish a copy of each executed agreement.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

11. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the manuals shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one (1) business day after sending by overnight courier with delivery confirmed; or three (3) days after placed in the mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and addressed to the party to be notified and addressed to the party to be notified at its most current address of which the notifying party has been notified.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Studio or any claim or judgment arising therefrom.

(d) Developer shall indemnify and hold Franchisor, its affiliate, successors and assigns and

the officers, directors, shareholders, agents, representatives and employees of each of them ("Indemnitees") from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal, directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them. Notwithstanding anything contained in this Section, Developer will not be required to indemnify, defend or hold Franchisor harmless for any claims or causes of action that arise solely out of Franchisor's gross negligence or willful misconduct. Developer and the Principals expressly agree that the terms of this Section shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

(e) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

13. APPROVALS

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

14. NON-WAIVER

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

15. SEVERABILITY AND CONSTRUCTION

(a) Each provision of this Agreement shall be deemed severable from the others.

(b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section 9 hereof, any rights or remedies under or by reason of this Agreement.

(c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

(d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.

(e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.

(f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

16. ENTIRE AGREEMENT

This Agreement constitutes the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

17. SUPERIORITY OF FRANCHISE AGREEMENT

Developer understands and agrees that any and all individual Franchise Agreements executed by Developer and Franchisor for Studios within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Multi-Unit Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority (except with respect to the opening deadline for each Studio Developer is granted the right to open under this Agreement).

18. ENFORCEMENT

No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the

underlying claim if required by Section 19). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

19. DISPUTE RESOLUTION

For the purposes of this Section 19, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

(a) Mediation And Mandatory Binding Arbitration

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and Franchisor have agreed that the provisions of this Section 19 support these mutual objectives and, therefore, agree as follows:

(1) **Dispute Resolution Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 19 (4).

(i) **First**, Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management and make every effort to resolve the dispute internally.

(ii) **Second**, if not resolved, submitted to non-binding mediation. Developer and Franchisor will split the costs and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Developer and Franchisor do not want to participate in mediation, then they may proceed to arbitration as provided below.

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

(2) Developer and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section 19 (d), below.

(3) Franchisor and Developer agree that any arbitration between Franchisor and

Developer shall be of Developer's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

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

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

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

(e) **Venue.** Without in any way limiting or otherwise affecting the obligations of Developer and Franchisor under Section 19 (a) above, Developer and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

(f) **Limitations on Claims.** Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

(g) **Severability of Provisions.** Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

(h) **Choice of Laws.** Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of Illinois; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall not apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section 19.(h). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of Illinois relating to conflicts of laws or choice of law.

20. "DEVELOPER" DEFINED AND GUARANTY

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in

Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percentage of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

21. ELECTRONIC MAIL

Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section 11 unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

22. ACKNOWLEDGMENTS

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Developer. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the franchised business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents, representatives, independent contractors, attorneys, or Developers, which are contrary to the terms set forth in this Agreement or of any franchise disclosure document, offering circular, prospectus, or other similar document required or permitted to be given to Developer pursuant to applicable law.

Developer acknowledges and further represents to the Franchisor:

(a) Developer has placed no reliance on any oral or written statements, whether referred to as representations, warranties, inducements, or otherwise, which are not contained in this Agreement or in the Franchise Disclosure Document;

(b) Developer has entered into this Agreement after making an independent investigation of Franchisor's operations and the System;

(c) Franchisor has not made any guaranty or provided any assurance that the business location will be successful or profitable regardless of whether Franchisor may have approved of the franchise or site location;

(d) Developer has (a) read this Agreement in its entirety and understands its contents; (b) been given the opportunity to clarify any provisions that Developer did not understand and (c) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;

(e) Developer has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the franchise offered by Franchisor; and

(f) Developer has received a copy of the Franchise Disclosure Document not later than the first personal meeting held to discuss the sale of a franchise, or fourteen (14) calendar days before execution of this Agreement or fourteen (14) calendar days before any payment of any consideration.

(g) Except as may have been disclosed at Item 19 of Franchisor's Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.

(h) The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent businessperson, and the active participation of Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

(i) Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.

(j) Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change

or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in duplicate on the day and year first above written.

Franchisor

RITUAL FRANCHISING COMPANY LLC,
An Illinois Limited Liability Company
By:

Name / Title:

Date:

Developer

(If Developer is a Corporation, Limited Liability Company or Partnership):
By:

Name / Title:

Date:

Developer

(If Developer is an Individual):

By:

Name / Title:

Date:

EXHIBIT A: DESCRIPTION OF DESIGNATED TERRITORY

_____

_____

_____

_____

Franchisor

RITUAL FRANCHISING COMPANY LLC,
An Illinois Limited Liability Company
By:

Name / Title:

Date:

Developer

(If Developer is a Corporation, Limited Liability Company or Partnership):
By:

Name / Title:

Date:

Developer

(If Developer is an Individual):

By:

Name / Title:

Date:

EXHIBIT B: DEVELOPMENT SCHEDULE

At the dates set forth below, Developer is obligated by Section IV of the Multi-Unit Development Agreement to have open and in operation the number of Studios indicated below:

	Date by which Indicated Studio Must be Open for Business	**Cumulative Number of Studios be Open and in Operation**
First Studio	_____, 20__	_____
Second Studio	_____, 20__	_____
Third Studio	_____, 20__	_____

Franchisor

RITUAL FRANCHISING COMPANY LLC,
An Illinois Limited Liability Company
By:

Name / Title:

Date:

Developer

(If Developer is a Corporation, Limited Liability Company or Partnership):
By:

Name / Title:

Date:

Developer

(If Developer is an Individual):

By:

Name / Title:

Date:

EXHIBIT C: PERSONAL GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this_____day of 20_____, by_____, (each a "Guarantor").

In consideration of, and as an inducement to, the execution of that certain Multi-Unit Development Agreement (the "Multi-Unit Development Agreement") by and between Ritual Franchising Company LLC (the "Franchisor"), and_____ "Developer"), each of the undersigned owners, partners, shareholders or members of Developer, and their respective spouses or legal/domestic partners (each, a "Guarantor") hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Multi-Unit Development Agreement and as provided in the Multi-Unit Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Multi-Unit Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every obligation of Developer under the Multi-Unit Development Agreement, both monetary obligations and non-monetary in nature, including without limitation, those obligations related to: confidentiality and nondisclosure; indemnification; the Proprietary Marks; the in- term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue, attorneys' fees and other dispute resolution provisions set forth in the Multi-Unit Development Agreement (that shall also apply to this Personal Guaranty and Assumption of Obligations).

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor's undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Multi-Unit Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Multi-Unit Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Multi-Unit Development Agreement by a trustee of Developer; (6) neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be

impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

For: **Developer**

By: **Guarantor(s)**

Guarantor Name	**Title**	**Ownership Percentage**	**Signature**	**Date**

Exhibit C: Addendum to Lease

ADDENDUM TO LEASE

This ADDENDUM TO LEASE, dated_____, 201___(the "**Addendum**") is entered into by and among_____, a ("**Landlord**"),_____, a ("**Tenant**"), and Ritual Franchising Company, an Illinois limited liability company ("**Franchisor**"), pursuant to the requirements of the Ritual Hot Yoga Franchise Agreement ("**Franchise Agreement**") between Tenant and Franchisor:

RECITALS

Landlord and Tenant have entered or are about to enter into a lease, dated_____, 201___, for premises located at_____(the "**Lease**") where Tenant intends to operate a "Ritual Hot Yoga" franchised studio (the "**Premises**") pursuant to a Franchise Agreement (the "**Franchise Agreement**") with Franchisor (the "**Franchised Business**"). The intent of this Addendum is to preserve the Premises as a Ritual Hot Yoga branded franchise location and to provide certain rights to Franchisor. This Addendum is required by Tenant's Franchise Agreement and incorporated into the body of the Lease. To the extent the terms of this Addendum conflict with the Lease, the terms of this Addendum shall control.

AGREEMENT

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Landlord, Tenant and Franchisor as follows:

1. **Independent Operations**. Tenant's operations at the Premises are independently owned and operated and Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or a substitute franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises pursuant to Section 8 below.

2. **Lease Term**. If the Lease contains any option to renew, the term of the renewal period shall be equal to five (5) years, or a renewal period to coincide with the expiration date of the franchise agreement. If the Lease does not contain an option to renew, Tenant shall have the option to renew the Lease for one (1) additional five (5) year period, or a renewal period to coincide with the expiration date of the franchise agreement, under the same terms and conditions as the original Lease, however Landlord shall have the option to increase the rent in accordance with reasonable then-current local market rents for premises similar in like, kind, location and square footage as the Premises.

3. **Approved Use**. Tenant shall have the right to use the premises for an exercise studio offering the following: exercise classes in the Ritual Hot Yoga style which combines various yoga practices, techniques and teaching methods conducted in a prescribed studio environment; workshops for students; promotional events; and the retail sale of related products, clothing and accessories, as well as for any other lawful purpose.

4. **Remodeling, Décor and Tenant Signage**. Landlord agrees that Tenant shall have the right to display such proprietary marks and signs on the interior and exterior of the Premises (including any Pylon or monument signs) as Tenant is reasonably required to do pursuant to the Franchise Agreement or directives by Franchisor and to the maximum extent permitted by local governmental authorities. The Tenant has the right to change or alter the signage at any time during the term of the Lease provided the

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signage is in compliance with applicable governmental codes and regulations. Landlord shall not permit the erection of signs or structures on the property where the Premises is located to obstruct the view of the Premises or its signage.

Landlord agrees that Tenant shall have the right to remodel, equip, paint and decorate the interior of the Premises pursuant to the requirements of the Ritual Hot Yoga Franchise Agreement. The Ritual Hot Yoga business model requires that the space must be prepared to accommodate a lobby, reception area, workout area, lavatories and showers and that certain areas of the Studio space must be maintained at specified temperature and humidity settings. The construction or remodeling of the Studio may include renovating walls, ceilings, floors and additionally include electrical, plumbing, HVAC and carpentry work. All Studio renovations will be in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency.

5. **Approval of Lease Modifications**. Landlord and Tenant shall not amend, assign, sublease, terminate or otherwise modify the Lease without Franchisor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Any amendment, assignment, sublease, termination or other modification of the Lease without Franchisor's prior written approval, shall be null and void and of no force or effect.

6. **Noise and Nuisance**. Landlord acknowledges that sound and music will be generated from the Premises at levels similar to other exercise studios, and such sound emitted from the Premises shall not be considered a violation of the Lease. Landlord shall not make any rule or regulation for conduct at the Premises or in the common areas in which the Premises are located that interferes with Tenant's intended use of the Premises or renders Tenant unable to conduct its business in the ordinary course without modification to the Premises. Tenant shall operate in compliance with all applicable codes including noise ordinances and agrees to use commercially reasonable efforts to minimize any unreasonable disruption to other tenants in the Premises.

7. **Assumption of Lease by Franchisor**.

(a) Franchisor (or any entity owned or controlled by, or under common control with, Franchisor) shall have the right to assume all of Tenants' right, title and interest in the Lease after (i) the termination, or expiration and non-renewal, of the Franchise Agreement, or (ii) default or termination of the Lease. Franchisor shall notify Landlord in writing of its intent to exercise its right to assume the Lease under this Section 8(a) within thirty (30) days after the occurrence of any instance described in the preceding sentence. Promptly upon exercise of Franchisor's right of assumption hereunder, Landlord shall deliver possession of the Premises to Franchisor. If Franchisor assumes the Lease after an event of default under the Lease, Franchisor shall have thirty (30) days after Landlord delivers possession of the Premises to cure the default(s) stated in the written notice of default first provided to Tenant and Franchisor in accordance with Section 10 below. Tenant shall indemnify, defend and hold harmless Franchisor against and from any and all liability, loss, damage, cost or expense (including reasonable attorney's fees) that Franchisor may incur under the Lease or this Addendum, and against and from any and all claims and demands whatsoever that may be asserted against Franchisor by reason of any undertaking on Franchisor's part to perform or discharge any of Tenant's obligations under the Lease or this Addendum. In the event of an assumption by Franchisor, Tenant shall remain liable for its obligations under the terms of the Lease.

(b) If Franchisor assumes the Lease as provided in Section 8(a) above, Franchisor may further assign the Lease to a substitute franchisee provided that in Landlord's determination, the substitute

franchisee meets or exceeds the reasonable financial qualifications of a similarly situated tenant of premises similar in like, kind, location and square footage as the Premises as of the commencement date of the Lease ("Financial Standards"). Landlord shall not withhold consent to assignment of the Lease to a substitute franchisee unless such substitute franchisee does not reasonably meet the Financial Standards qualification. Landlord shall thereafter recognize any such substitute franchisee as the new lessee of the Premises and said substitute franchisee will be liable for, and Franchisor shall be released from, all obligations under the Lease arising after the date of such assignment. After the date of such assignment, Franchisor shall continue to have the same rights under this Addendum with respect to any substitute franchisee as provided in this Section 8. If Landlord reasonably withholds consent to a substitute franchisee, Landlord shall, within five (5) days after Franchisor's request, recapture the Premises and thereafter, Franchisor shall be fully and forever released from any liability under the Lease and this Lease Addendum.

8. **Franchisor Intellectual Property**.

(a) Pursuant to the terms of the Franchise Agreement, Tenant has agreed to grant Franchisor a security interest in the Lease and in all of the furniture, fixtures, inventory, equipment and supplies, and certain franchise specific improvements located in the Premises as collateral for the payment of any obligation, liability or other amount owed by Tenant under the Franchise Agreement. Any security interest or Landlord's lien in Tenant's furniture, fixtures, inventory, equipment and supplies in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. Notwithstanding any provisions of the Lease to the contrary, Landlord hereby consents to the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations under the Franchise Agreement. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Addendum, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

(b) In accordance with the above, upon the expiration and non-renewal, cancellation or termination of the Lease or Franchise Agreement, neither Tenant or Landlord shall retain any right, title or interest in the furniture, fixtures, inventory, equipment, certain franchise specific improvements, copyrighted materials (such as Franchisor's confidential operations manual), or supplies located in the Premises, or any property bearing Franchisor's intellectual property, trademarks, trade-dress or patents (collectively, the "**Intellectual Property**"). The parties acknowledge and agree that the design of the exercise rooms and retail/lobby area of the Franchised Business at the Premises constitutes Franchisor's trade-dress and Intellectual Property. In the event the Franchise Agreement expires or is terminated, Tenant is obligated under the terms of the Franchise Agreement to take certain steps to de-identify the Premises as a Ritual Hot Yoga Franchised Business. If Tenant fails to satisfy its obligation to so de-identify, Franchisor shall have the right to enter the Premises to remove its Intellectual Property and otherwise de-identify the Premises. In such an event, Landlord agrees to assist and permit Franchisor, its personnel or agents, to enter the Premises and remove furniture, fixtures, equipment, inventory, and supplies, including signs, decor and materials displaying any Intellectual Property owned by Franchisor. Franchisor shall repair any damage to the Premises caused by Franchisor in removing the above items within thirty (30) days of Landlord's written notification of such damage. In the event Franchisor fails to remove its Intellectual Property, or any material bearing the Intellectual Property, within fourteen (14) days of the expiration or termination of the Lease or Franchise Agreement, Landlord may destroy all Intellectual Property and dispose of any additional equipment without liability to Franchisor.

9. **Limitation on Use**. Landlord shall not during the term of the Lease, or during any options periods, lease any other space in the building or complex in which the Premises are located to a business that offers exercise classes related to yoga and/or the retail sale of related exercise products or apparel.

10. **Copies of Reports**. The Landlord agrees to provide copies of all revenue and other

information and data in Landlord's possession related to the operation of the Tenant's Ritual Hot Yoga Studio on a timely basis as the franchisor may request, during the term of the Lease.

11. **Notice**. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor (concurrently with the giving of such notice to the Tenant) including notice of any default by Tenant under the Lease by e-mail franchise@ritualhotyoga.com and by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

Ritual Franchising Company
1100 N. Lake Shore Drive, Chicago IL 60611
Attention: franchise@ritualhotyoga.com

12. **Consideration; No Liability**.

(a) Landlord hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and that Tenant would not lease the Premises without Landlord agreeing to be bound by the terms of this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor. For purposes of this Addendum, an "affiliate" refers to any person, corporation, firm, partnership, limited liability company, association or other entity controlling, controlled by or under common control with the person or entity in question or any individual or entity that controls such person or entity.

13. **Amendments**. Except with respect to Franchisor's right of assignment in Section 8 above, no modification of the terms of the Lease or this Addendum shall be valid unless made in writing and signed by the parties.

14. **Reaffirmation of Lease**. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect. In the event of any conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

15. **Attorneys' Fees**. In the event it becomes necessary for either party to file a suit to enforce this Addendum or any provisions contained herein, the prevailing party in such suit will be entitled to recover, in addition to all other remedies or damages, reasonable attorneys' fees and court costs incurred.

16. **Counterparts; Transmission**. A separate copy of this Addendum may be signed by each party, separately, and when each party has executed at least one copy hereof, such copies taken together shall be deemed to be a full and complete agreement between the parties and a single document. Any signature hereon may be electronically performed and transmitted and such signature shall be valid and accepted for all purposes hereof.

17. **Governing Law**. This Addendum shall be governed by, and construed and enforced pursuant to the laws governing the Lease.

18. **Severability**. If any term, section or other provision of this Addendum shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such term, section or other provision shall not affect any of the remaining provisions of this Addendum.

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19. **Successors and Assigns**. This Addendum shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

20. **Further Cooperation**. Tenant and Landlord each further agree to execute upon request of Franchisor any and all instruments requested by Franchisor to carry out the terms and conditions of this Addendum or the assignment and assumption intended hereby.

21. **Authority**. The execution of this Addendum by the signatories below has been duly authorized by each party and is binding and enforceable against each party pursuant to its terms.

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

LANDLORD:

By:

Name:

Title:

Date:

TENANT

(FRANCHISEE)

By:

Name:

Date:

FRANCHISOR

By:

Name:

Title:

Date:

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Exhibit D: General Release of All Claims

_____ (FRANCHISEE") and_____, an individual ("GUARANTOR") enter into this General Release on_____, with reference to the following facts:

1. On_____, Ritual Franchise Company LLC, an Illinois limited liability company ("FRANCHISOR"), and FRANCHISEE entered into a Franchise Agreement (the "Franchise Agreement") to operate a Ritual Hot Yoga Franchised Business located at_____ _____(the "Premises"). GUARANTOR guaranteed FRANCHISEE's performance under the Franchise Agreement pursuant to a Personal Guaranty, Indemnification and Acknowledgement Agreement or Personal Guaranty and Assumption of Obligations Agreement (the "Guaranty"). In consideration of FRANCHISOR'S processing and approval of_____ _____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such_____. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guaranty.

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

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

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

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

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

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

GUARANTOR:

_____, Individual

Exhibit E: Statement Of Prospective Franchisee

The Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Ritual Franchise Company LLC (also called the "Franchisor" or "Ritual Hot Yoga") both have an interest in making sure that no misunderstandings exist between them, and the purpose of this Statement is to determine whether any representations or promises were made that were not authorized by the Franchisor and that may be untrue, inaccurate or misleading. Please review each of the following questions and/or statements carefully and provide honest responses for each to help us gather your feedback.

Confirm that the following dates and information are true and correct:

1. _____, 20___ Initials _____	The date on which I/we received a Franchise Disclosure Document about a Franchise.
2. _____, 20___ Initials_____	The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.

Franchise Disclosure Document, Franchise Agreements and Related Documents:

1. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?

Yes No

2. Do you understand all of the information contained in the Franchise Agreement and each Addendum (if any) and/or related agreement provided to you?

Yes No

3. If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

4. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

Yes No

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes No

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes No

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes No

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

A. Representations and Other Matters:

1. Have you received any oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights-of-first-refusal or representations of any type including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement, or any other written documents with respect to any matter such as, advertising, marketing, site location and/or development, operations, marketing or administrative assistance, exclusive rights or exclusive or protected territory or other not listed here; and if yes, have you relied in any way on any such representations?

Yes No

Explanation, if Yes: _____

_____

_____

_____

2. Have you discussed the benefits and risks of investing in a Ritual Hot Yoga Studio franchise with an attorney, accountant or other professional or trusted advisor; or have you involved the assistance of such advisors to evaluate the possibility of investing in a Ritual Hot Yoga Studio franchise?

Yes No

3. Do you understand that the success or failure of your Ritual Hot Yoga Studio franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes No

4. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a Ritual Hot Yoga Studio franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes No

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Explanation, if Yes: _____

_____

_____

_____

5. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Ritual Hot Yoga Studio franchise that is not contained in the FDD, Item 19 or that is contrary to, or different from, the information contained in the FDD?

Yes No

Explanation, if Yes: _____

_____

_____

_____

6. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Ritual Hot Yoga Studio franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD and specifically, in Item 19?

Yes No

Explanation, if Yes: _____

_____

_____

_____

7. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes No

Explanation, if Yes: _____

_____

_____

_____

8. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the Ritual Hot Yoga Studio franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?

Yes No

9. Do you understand that, except as provided in the Franchise Disclosure Document, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes No

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

Yes No

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

Yes No

12. When you sign the Franchise Agreement and Addendum (if any) and related agreements, you also acknowledge that no agreement or addendum is effective until signed and dated by us.

Yes No

[*Signature Page Follows*]

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Statement Of Prospective Franchisee

The individuals signing below for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee, or constitute the duly authorized representatives or agents of the foregoing

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

Acknowledgement and Signature(s):

Date: _____

PROSPECTIVE FRANCHISEE

By:

Name:

Title:

Date:

By:

Name:

Title:

Date:

By:

Name:

Title:

Date:

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Exhibit F: Financial Statements

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)

FINANCIAL STATEMENTS

FOR THE FOUR-MONTHS ENDED DECEMBER 31, 2019

(With Independent Accountants' Compilation Report Thereon)

Ritual Franchising Company, LLC
(An Illinois Limited Liability Company)

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KPM Accounting & Management Solutions
Members of the California Society and American Institute of Certified Public Accountants
P.O. Box 641773 • San Francisco, CA 94164
Telephone 415.819.6718 • www.kpmcpas.com

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Member of
Ritual Franchising Company
Chicago, Illinois

We have compiled the accompanying balance sheet of the Ritual Yoga Franchising Company, LLC as of December 31, 2019, and the related statement of income, statement of changes in member's equity, and cash flows for the four-months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

KPM Accounting & Management Solutions

KPM Accounting & Management Solutions
San Francisco, CA

January 9, 2020

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2019

ASSETS	**2019**
Current assets:	
Cash and cash equivalents	$ 46,975
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities:	
Due to affiliate - Ritual Hot Yoga	10,727
Long-term liabilities:	
Member loan	40,000
Total liabilities	50,727
Member's equity	(3,752)
Total liabilities and member's equity	$ 46,975

See accompanying notes and accountants' compilation report.

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)
STATEMENT OF INCOME
FOR THE FOUR-MONTHS ENDED DECEMBER 31, 2019

Revenue and income:	$ -
Operating Expenses:	
Bank charges and fees	50
Legal and professional fees	13,650
Office supplies and software	40
Printing	12
Total operating expenses	13,752
Net (loss)	$ (13,752)

See accompanying notes and accountants' compilation report.

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE FOUR-MONTHS ENDED DECEMBER 31, 2019

	Contributed Capital	Accumulated (Deficit)	Total Member's Equity
Member's equity - September 1, 2019	$ -	$ -	$ -
Capital contribution	10,000	-	10,000
Net (loss)	-	(13,752)	(13,752)
Member's equity - December 31, 2019	$ 10,000	$ (13,752)	$ (3,752)

See accompanying notes and accountants' compilation report.

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE FOUR-MONTHS ENDED DECEMBER 31, 2019

Cash flows from operating activities:		
Net (loss)	$	(13,752)
Adjustments to reconcile to cash provided by operating activities:		
Increase in liabilities:		
Due to affiliate - Ritual Hot Yoga		10,727
Net cash used in operating activities		(3,025)
Cash flows from financing activities:		
Proceeds from member loan		40,000
Proceeds from capital contribution		10,000
Net cash provided by financing activities		50,000
Net increase in cash and cash equivalents		46,975
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	46,975

See accompanying notes and accountants' compilation report.

RITUAL FRANCHISING COMPANY, LLC
(An Illinois Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE FOUR-MONTHS ENDED DECEMBER 31, 2019

(1) DESCRIPTION OF OPERATIONS

Ritual Franchising Company, LLC ("the Company") was formed on August 21, 2019 when it filed Articles of Organization in the State of Illinois per the Illinois Limited Liability Company Act. The specific business purposes and activities of the Company consist of offering and awarding franchises to independently operate a "Ritual Hot Yoga Studio." A Ritual Hot Yoga Studio utilizes the proprietary marks and a business operations system developed by the Company and affiliates. The Company has been in business since 2015 under the trade names "Ritual Hot Yoga" or "Ritual."

(a) Related Parties – Affiliates

The Company has two affiliates, Ritual San Francisco, Inc. and Kearny Ritual, LLC. The affiliates own and operate Ritual Hot Yoga Studios in California and Illinois. The Ritual Hot Yoga Studio is the model for the franchise system.

- Ritual San Francisco, Inc. ("Licensor") is the owner of the "Ritual Hot Yoga" trade name, logos and other trademarks and service marks and related trade dress (the "Marks"). The Licensor licenses the Marks to the Company in an agreement effective September 1, 2019. The Licensor owns and operates two (2) Ritual Hot Yoga Studios, which began operations in 2015.
- Kearny Ritual, LLC is a California Limited Liability Corporation that was formed in 2017. Kearny Ritual, LLC owns and operates one (1) Ritual Hot Yoga Studio.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Company are prepared using the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. The basis of accounting conforms to accounting principles generally accepted in the United States ("US GAAP").

(b) Cash and Cash Equivalents

The Company considers cash on hand, cash on deposit, and investments with original maturities of ninety days or less at the time of purchase to be cash and cash equivalents. The Company maintains its cash in a bank deposit account, which is federally insured up to $250,000.

(c) Income Taxes

Earnings and losses of limited liability companies are included in the personal tax returns of the members and taxed depending upon their personal tax situations. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

(3) MEMBER LOAN

In November 2019, the Member loaned $40,000 to the Company for financial support in the start-up phase of franchising operations. The loan is interest free and is shown as a long-term liability on the balance sheet, because it is not expected to be paid back within one-year. The loan shall not be considered a capital contribution.

(4) RELATED PARTY TRANSACTIONS

Due to affiliate – Ritual Hot Yoga

Ritual Hot Yoga, on behalf of the Company, paid $10,727 for initial operating and legal organizational costs. Per the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 720-15, costs of start-up activities, including organization costs, shall be expensed as incurred.

(5) MEMBER'S CAPITAL

A capital account is maintained for the Member consisting of the Member's total contributions, which is increased by the Member's profits and decreased by the Member's losses.

Distributions

The Company may make distributions in amounts determined by the Member. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company.

(6) FRANCHISE ARRANGEMENTS

Certain initial franchise fees for becoming a franchisee of Ritual Hot Yoga are as follows:

Initial Franchise Fee

An initial franchise fee of $40,000 (the "Initial Franchise Fee") for a Ritual Hot Yoga Studio is due as a lump sum payment upon the signing of the Franchise Agreement. The Initial Franchise Fee is not refundable, in whole or in part, under any circumstance.

The Franchise Agreement may be cancelled after payment of the Initial Franchise Fee if the Studio does not open within twelve (12) months of the date Ritual Hot Yoga accepts the Franchise Agreement; or the training program is not completed to Ritual Hot Yoga's satisfaction; or Ritual Hot Yoga determines that the Franchise Agreement is being used for speculative purposes. If any of these circumstances result in cancellation of the Franchise Agreement, the initial Franchise Fee and Training Fee is non-refundable.

Teacher Training Fee

A $4,000 Teacher Training Fee is also due at the signing of the Franchise Agreement. The Ritual Hot Yoga System requires that Studio staffing levels meet the brand standards for service. Three (3) teachers are recommended to complete the Teacher Training Program. The $4,000 fee covers the cost for the 3 teachers, the franchisee and designated manager. The Franchisee is responsible for the expense of any travel and living expenses for their staff to travel to the Company's designated training location.

Inventory and Grand Opening Advertising Support

Prior to opening the Studio, the Franchisee is required to purchase approximately $2,500 to $6,000 ("Opening Retail Inventory"), which includes apparel and other branded merchandise that will be available for sale.

Studio grand opening advertising support cost is $3,000 and is due six (6) weeks prior to Studio opening.

(7) SUBSEQUENT EVENTS

The Company has evaluated subsequent events through January 9, 2020, the date which the financial statements were available to be issued. No subsequent events were identified that required accrual or disclosure in the financial statements.

Exhibit G: Brand Standards and System Manual Table of Contents

Ritual Hot Yoga Standards, System and Operations

Table of Contents

- Culture
    - Mission
    - Vision
    - Core Values
- Brand Guide
- Studio Build-Out & Guidelines
- Owner Expectations
    - Operations Studio Walkthrough
    - People Succession Planning
    - Finance Planning and Reporting
    - Product Quality Assurance
    - Marketing Partnership and Strategy
    - Management Expectations
- Sales & Customer Lifecycle Training
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- Retreat - Rituals & Visuals
- Studio Pillars
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        - Trainings
    - Finance
        - Reporting & Planning
        - Day to Day
        - Revenue

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Exhibit H: List of Franchisees

Franchisees as of December 31, 2019

State	City	Store Address	Store Phone	Owner/Contact

No Franchisees as of December 31, 2019

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

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Exhibit I: List of Franchisees that Left Our System

Franchisees who have left the system between January, 1, 2019 and December 31, 2019 (Terminated, Cancelled, Not Renewed, Voluntarily or Involuntarily Ceased to Do Business)

Name	City	State	Phone

No franchises have left the system as of the most recently completed fiscal year (2019). If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchised system.

Exhibit J: Confidentiality Agreement and Covenant Not to Compete

This Agreement is made and entered into this_____day of_____, 20_, between RITUAL FRANCHISING COMPANY LLC, an Illinois limited liability company ("Franchisor"), _____ ("Franchisee") and_____("Individual") in connection with a Franchise Agreement ("Franchise Agreement") between above named Franchisor and Franchisee.

RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the "System") for the development and operation of Ritual Hot Yoga Studios under the name and mark Ritual Hot Yoga ("Studios"); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark Ritual Hot Yoga and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System's high standards of quality, appearance, service and all information relating to the System and to the development and operation of the Studio, including, without limitation, the system operating manual, Franchisor's training program, members and supplier lists, or other information or know-how distinctive to a Studio; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (collectively, the "Confidential Information"); and

WHEREAS, the Proprietary Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Franchisee the limited right to develop a Studio using the System, the Proprietary Marks and the Confidential Information, pursuant to a Franchise Agreement entered into on_____, 20___ ("Franchise Agreement"), by and between Franchisor and Franchisee; and

WHEREAS, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Franchisee, or any entity having an interest in Franchisee ("Individual") to have access to and to use some of all of the Confidential Information in the management and operation of Franchisee's Studio using the System; and

WHEREAS, Franchisee has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

WHEREAS, Individual wishes to remain, or wishes to become associated with or employed by

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Franchisee; and

WHEREAS, Individual wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform the services for Franchisee; and

WHEREAS, Individual acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Individual.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Franchisee shall disclose to Individual some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Franchisee and/or Individual are deemed Confidential Information for the purposes of this Agreement.

2. Individual shall receive the Confidential Information in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Franchisee and then only in connection with the development and/or operation by Franchisee of a Studio for so long as Franchisee is licensed by Franchisor to use the System.

3. Individual shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

4. Individual shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of a Studio.

5. Individual must surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which the information or material may have been furnished to Individual.

6. Individual shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. Franchisor loans all manuals to Franchisee for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information during the term of this Agreement, and in consideration for the disclosure to Individual of the Confidential Information, Individual further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Studios to any competitor;

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any Franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of that person if permitted under the Franchise Agreement; and

c. Except with respect to Studios operated under a valid and existing Franchise Agreement between Franchisee (or Franchisee's affiliates) and Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business (as defined below) or a business that is of a character and concept similar to a Studio. For purposes of this Agreement, a "Competing Business" is defined as any business that (1) derives at least ten percent (10%) of its revenue from sales generated from the provision of any yoga instruction or other Approved Services and Approved Products that are offered at a Studio, or (2) grants franchises or licenses to others to operate the type of business described in subpart (1) of this Section.

2. In further consideration for the disclosure to Individual of the Confidential Information and to protect the uniqueness of the System, Individual agrees and covenants that for two (2) years following the earlier of the expiration, termination or transfer of all Franchisee's interest in the Franchise Agreement or the termination of his association with or employment by Franchisee, Individual will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Studios to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any franchisee of franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to Studios operated under Franchise Agreements between Franchisee and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a Studio (i) within the protected territory granted to Franchisee; or (ii) within a ten (10) mile radius of the perimeter of the protected territory being granted to Franchisee or any other protected territory licensed by Franchisor to a Studio as of the date of expiration, termination or transfer of all Franchisee's interest in the Franchise Agreement or the termination of Individual's association with or employment by Franchisee.

Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Individual acts as required by this Agreement.

2. Individual agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or

threatened harm and without being required to furnish a bond or other security.

3. Individual agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Individual shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Individual.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE THE STUDIO IS LOCATED]** AND INDIVIDUAL HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT FOR **[INSERT STATE WHERE THE STUDIO IS LOCATED]**. INDIVIDUAL HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. INDIVIDUAL HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON INDIVIDUAL IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE WHERE THE STUDIO IS LOCATED]**OR FEDERAL LAW. INDIVIDUAL FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Individual expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

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Ritual Franchising Company LLC
1100 N. Lake Shore Drive
Chicago, Illinois 60611

If directed to Franchisee, the notice shall be addressed to:
Attn:

If directed to Individual, the notice shall be addressed to:
Attn:

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing.

8. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. The respective obligations of Franchisee and Individual hereunder may not be assigned by Franchisee or Individual without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR: Ritual Franchising Company LLC
By:
Name:
Title:
Date:

FRANCHISEE:
By:
Name:
Title:
Date:

INDIVIDUAL:
By:
Name:
Title:
Date:

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Exhibit K: State Administrators and Agents for Service of Process

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure and registration laws and the state agencies which serve as agents for service of process under the franchise disclosure and registration laws.

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

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

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

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

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

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

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

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

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

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

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

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

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

MINNESOTA
Commissioner Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
Tel: (651) 539-1638

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

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

(state agency)
Office of the New York State Attorney General
Investor Protection Bureau, Franchise Section
120 Broadway, 23rd Floor
New York, NY 10271-0332
Tel: (212) 416-8236 / Fax: (212) 416-6042

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit L: State Disclosures and Riders

Following are additional disclosures for the Multistate Franchise Disclosure Document of Ritual Hot Yoga as required by various state franchise laws. A particular state's disclosures only apply if you are covered by that state's franchise law.

CALIFORNIA

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

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

2. OUR WEBSITE www.ritualhotyoga.com 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.

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

   Neither we, Ritual Franchising Company LLC, nor any person identified in Item 2, nor an affiliate, nor any franchise broker, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

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

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of the franchise. If the Franchise and Trademark Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

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

Covenant not to Compete. The Franchise and Trademark Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Arbitration. The Franchise and Trademark Agreement requires binding arbitration in certain circumstances. The arbitration will occur in Chicago, Illinois, with the costs being borne as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of Franchise Agreement restricting venue to a forum outside the State of California.

Jurisdiction. The Franchise Agreement requires application of the laws of the state of Illinois. This provision may not be enforceable under California law.

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

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise and Trademark Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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ITEM 23: RECEIPT

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

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

New York and Maryland require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

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

If Ritual Franchising Company LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit K.

The franchisor is Ritual Franchising Company LLC located at 1100 N. Lake Shore Drive, Chicago, Illinois 60611. The name, principal business address, and telephone number of each Franchise Seller offering the Franchise:

_____

_____

The issuance date of this Franchise Disclosure Document is **January 7, 2020**.

We authorize the respective state agents identified on Exhibit K to receive service of process for us in the particular states. The effective dates for this Franchise Disclosure Document for certain specified states are listed on the State Cover Page, the third page of this document.

I have received a Franchise Disclosure Document dated **January 7, 2020**. This Franchise Disclosure Document included the following Exhibits:

A. FRANCHISE AGREEMENT AND EXHIBITS
B. MULTI-UNIT DEVELOPMENT AGREEMENT
C. ADDENDUM TO LEASE
D. GENERAL RELEASE OF ALL CLAIMS
E. STATEMENT OF PROSPECTIVE FRANCHISEE
F. FINANCIAL STATEMENTS
G. BRAND STANDARDS AND SYSTEM MANUAL TABLE OF CONTENTS
H. LIST OF FRANCHISEES
I. LIST OF FRANCHISEES THAT LEFT OUR SYSTEM
J. CONFIDENTIALITY AND NON-COMPETE AGREEMENT
K. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
L. STATE DISCLOSURES AND RIDERS

Print Name:_____ Date:_____ Signature:_____

Please return one copy of this signed & dated receipt as described in Item 23, or by sending a scanned copy to franchise@ritualhotyoga.com, or as we may otherwise instruct. Keep a second copy for your records.

ITEM 23: RECEIPT

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

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_____

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L. STATE DISCLOSURES AND RIDERS

Print Name:_____ Date:_____ Signature:_____

Please return one copy of this signed & dated receipt as described in Item 23, or by sending a scanned copy to franchise@ritualhotyoga.com, or as we may otherwise instruct. Keep a second copy for your records.