# FRANCHISE DISCLOSURE DOCUMENT

**RockSalt Pilates Franchise, LLC**
A Colorado Limited Liability Company
306 E. 5th Avenue
San Mateo, CA 94401
Phone (650) 394-5579
E-mail: franchise@rocksaltpilates.com
www.rocksaltpilates.com

RockSalt Pilates Franchise, LLC offers franchises for the operation of Pilates studios that take the principals of Pilates and infuses classical practice with cardio, resistance training, light weights, and upbeat music under the brand RockSalt Pilates ("**Studios**").

The total investment necessary to begin operation of a single RockSalt Studio is between $278,600 and $690,500. This includes between $135,000 and $245,000 that must be paid to the franchisor or its affiliates.

Franchisees may also request to become a Multi-Unit Operator ("**Multi-Unit Operator**"), securing the right to establish and operate three RockSalt franchises under a Multi-Unit Development Agreement ("**Multi-Unit Development Agreement**") containing a development schedule. The total investment necessary to begin operation of a three multi-unit business is between $378,600 and $790,500, which includes between $235,000 and $345,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Peter Belesis, ph: (650) 394-5579, franchise@rocksaltpilates.com.

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

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

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

**Issuance Date: January 31, 2025**

**How to Use This Franchise Disclosure Document**

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

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>**. The franchise agreement and multi-unit development agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Denver, Colorado. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado than in your own state.

2. **<u>Operating History</u>.** The Franchisor is at an early state of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

**TABLE OF CONTENTS**



EXHIBITS:

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT E**.

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

To simplify the language in this Franchise Disclosure Document, "**RockSalt Pilates Studios**," "**Franchisor**," and "**we**," "**us**," or "**our**" means RockSalt Pilates Franchise, LLC, the franchisor. "**You**," "**your**," and "**Franchisee**" means the person, and its owners if the Franchisee is a business entity, who buys the franchise from RockSalt Pilates Franchise, LLC.

The Franchisor

RockSalt Pilates Franchise, LLC, a Colorado limited liability company formed on October 3, 2024. RockSalt Pilates Studios does not do business under any other name. Our principal business address is 306 E. 5th Avenue, San Mateo, CA 94401. We do not operate any franchises like those described in this Franchise Disclosure Document and do not operate franchises in any other line of business. We do not conduct any other business other than franchising RockSalt Pilates Studio Franchised Businesses. We began offering franchises for Studios as of January 31, 2025.

Our agent(s) for service of process are listed in **Exhibit D** to this Franchise Disclosure Document. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Our Parent, Affiliates, Predecessors, and Licensed Locations

Our parent company is RockSalt Pilates Holdings, LLC, a Colorado limited liability company ("**Parent Company**") formed on March 15, 2024. Parent Company shares our principal place of business. Parent Company does not offer franchises in this or any other line of business.

We have two affiliates. RockSalt Pilates IP, LLC, a Colorado limited liability company, ("**IP Company**") formed on March 15, 2024. IP Company owns the trademarks, trade names, service marks and logos, as well as our copyright materials and other intellectual property (collectively, "**Intellectual Property**"), which IP Company licenses to us. IP Company has offered 1-year licenses to three licensees for the use of Intellectual Property. IP Company shares our principal place of business. IP Company does not offer franchises in this or any other line of business.

Our second affiliate, RockSalt Pilates LLC, a California limited liability company, was formed on February 10, 2016. It owns and operates one studio similar to the services that are offered at the Franchised Business. RockSalt Pilates LLC shares our principal place of business. RockSalt Pilates LLC does not offer franchises in this or any other line of business.

The Franchises

RockSalt Pilates is an award-winning studio that takes principals of Pilates into overdrive by fusing the classical practice with cardio, resistance training, light weights, and upbeat music. Its various classes focus on cardio training, strength training and/or overall fitness. All RockSalt Pilates classes provide a full body, exhilarating, and addictive workout. The concept isn't a classic or traditional Pilates studio. Rather, RockSalt fuses principals of Pilates, yoga, and other fitness disciplines to deliver a creative and groundbreaking program of classes for clients at every stage of fitness—from beginners to very advanced.

We offer one franchise in this disclosure document that operates under our proprietary system ("**Franchise System**"). It is for the use of the "**RockSalt Pilates**" trademarks, trade names, service marks, and logos (together, the "**Marks**") for the operation of Studios. The term "Marks" also includes any distinctive trade dress used to identify a Studio, whether now in existence or created at a later date. If you choose to acquire a franchise for a Studio, your business will operate under the Marks. Studios offer Pilates-related services and retail sales of various Pilates-related products.

Unless otherwise stated, any reference in this Franchise Disclosure Document to "**Franchised Business**" or "**RockSalt Pilates Studios Franchise**" is applicable to a Studio. The Franchised Business operates from a single location and facility we authorize ("**Authorized Location**") and provides Pilates-related services and retail sales of various Pilates-related products at the Authorized Location.

Franchisees are required to sign our franchise agreement for the Franchised Business. Our current form of franchise agreement is attached to this Franchise Disclosure Document as **Exhibit B** ("**Franchise Agreement**").

You will typically lease your Authorized Location, which will normally range between 1,000 to 2,000 square feet in size.

Under the Franchise Agreement, you will be granted certain rights to establish and operate a Franchised Business within a geographical area that we will identify in the Franchise Agreement ("**Protected Territory**"). You will not be granted exclusive territorial rights; we reserve certain rights to market and sell products and services, and to license any other third party the right to market and sell products and services, within the Protected Territory. We retain all other rights, including without limitation, those rights set forth in ITEM 12.

If you qualify, we may allow you to sign the Multi-Unit Development Agreement which is attached to this Franchise Disclosure Document as **Exhibit C**, and develop a designated number of Franchised Businesses under the Marks. You will have the right to open a minimum of three Franchised Businesses on a development scheduled to be agreed upon. For each Franchised Business you develop, you will be required to sign our then-current Franchise Agreement, which may be materially different from the agreement included as **Exhibit B.**

Market and Competition

Studios target services to the general public. The provision of Pilates is a mature business. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers. You will also face normal business risks that could have an adverse effect on your Franchised Business. These include industry developments, such as pricing policies of competitors, and supply and demand.

Industry Specific Regulations

Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are responsible for complying with all applicable current and future federal, state, and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.

You must obtain all necessary permits, licenses, and approvals to operate your Franchised Business. You must comply with all local, state, and federal laws and regulations that apply to any business. Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances which may apply to the operation of your Franchised Business, including those which: (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Franchised Business site and premises; (b) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements, restrictions on smoking and exposure to tobacco smoke or other carcinogens, availability of and requirements for public accommodations, including restroom facilities and public access; (c) set standards pertaining to employee health and safety; (d) regulate matters affecting requirements for accommodations for disabled persons; (e) set standards and requirements for fire safety and general emergency preparedness; and (f) set standards and regulations regarding the licenses, certificates, and permits necessary to lease/sublease commercial spaces and/or the operation of a health and fitness club.

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. Certain states and local governments have passed laws relating specifically to health and fitness facilities, including laws requiring bonds if a health and fitness facility sells memberships valid for more than a specified time period, requiring facility owners to deposit into escrow certain amounts collected from members before the facility opens (so-called "pre-sales" memberships), and imposing other restrictions on memberships that health and fitness facilities sell.

You must acquire and maintain certain licenses, permits, and authorizations to operate your Studio under the applicable laws of where your Studio is located. Among other things, you will need to ensure that all music played by you at your studio is properly licensed for use in the studio.

## ITEM 2
## BUSINESS EXPERIENCE

Founder and CEO: Adrian Ramirez

Mr. Ramirez founded RockSalt Pilates and has been its CEO since October 2012.

Chief Operating Officer: Peter Belesis

Mr. Belesis has been our Chief Operating Officer since October 2012.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

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

## ITEM 5
## INITIAL FEES

Single-Unit Initial Franchise Fee

You must pay us an initial franchise fee ("**Initial Franchise Fee**") when you sign the Franchise Agreement. The Initial Franchise for a single franchise is $50,000. The Initial Franchise Fee includes the tuition (but not the travel expenses) for three individuals you designate to attend our proprietary initial training program. The Initial Franchise Fee is due in full at the time you sign the Franchise Agreement, is non-refundable, and is deemed fully earned by us once paid. We did not sell any single-unit franchises during our last fiscal year.

Multi-Unit Development Fee

If we determine that you are qualified, we may offer you the option to purchase the rights to open additional Franchised Businesses by signing the Multi-Unit Development Agreement and paying a development rights fee ("**Development Fee**"). The Development Fee to open a minimum of three Franchised Businesses is $150,000 payable: $50,000 (Initial Franchise Fee for first Studio), plus $25,000 multiplied by two (one-half of the Initial Franchise Fee for each of the remining two Studies to be developed under the Multi-Unit Development Fee, or $50,000). When you open each additional Franchised Businesses under the Multi-Unit Development Agreement, you will be required to sign the then-current Franchise Agreement for each Studio, and pay the remaining balance of the Initial Franchise Fee (or $25,000) (all other fees will apply). The Development Fee is payable when you sign your Multi-Unit Development Agreement, and is nonrefundable under any circumstances, even if you fail to open any Franchised Businesses. During our last fiscal year, we did not sell any Multi-Unit Development Agreements.

Other Initial Payments

Before opening the business, you will purchase from us additional services or products needed for the operation of the business before the Franchised Business opens ("**Other Initial Payments**"). The services or products currently consist of the services covered by our Technology Fee, which is currently up front and $250 per month after opening.

These Other Initial Payments are non-refundable.

## ITEM 6
## OTHER FEES

| Type of Fee (1) | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee(2) | The greater of 6% or $375 per week of Gross Revenues | Sales week is Monday through Sunday. Royalty is due on the following Tuesday. | The Royalty Fee is based on "**Gross Revenues**" during the previous week, is non-refundable, and is payable via automatic electronic transfer. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Advertising Fund Fee | 2% of Gross Revenues | Due weekly with the Royalty Payments | The Advertising Fund Fee is based on Gross Revenues, is non-refundable, and is payable via automatic electronic transfer. The Advertising Fund Fee can be increased by giving you 90 days' notice. Maximum increase per instance is 0.5% of Gross Revenues. |
| Local or Cooperative advertising | 2% of Gross Revenues | As incurred | This amount is spent by you in your local media market. We have not established a cooperative advertising program but reserve the right to do so upon prior notice to you. |
| Alternative supplier evaluation fee | $25,000 per evaluation. | Before we begin our evaluation | Non-Refundable. Payable to us. See Item 8. |
| Additional or Replacement Training Fees | $1,000 per day plus travel, meal, and accommodation expenses. If training is to take place onsite you will pay an additional per diem fee of $350 for each of our employees who provide onsite training | As incurred, before the training | Non-Refundable. RockSalt Pilates Studios will provide training for up to three people at no additional charge. This fee must be paid to us for additional trainees and for onsite training. |
| Annual Retreat – Attendance Fee | $100 to $500 per person attending plus travel, meal, and accommodation expenses | Before the Annual Retreat | Non-refundable. Payable to us and third-party vendors for travel and meals. You must stay in the hotel where the retreat is being held at your own expense and attend all listed events. |
| Audit Fees | $25,000 | As invoiced | Payable only if our audit shows an understatement in amounts of at least 2%. |
| Franchise Transfer Fee [3] | 50% of the then current Initial Franchise Fee for each Studio transferred | At the time of Transfer | Non-Refundable. Payable to us. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Development Transfer Fee | $2,500 for each unopened RockSalt Pilates Studio | At the time of Transfer | Non-Refundable. Payable to us. |
| Successor Franchise Fee | $20,000 for each Studio | After the end of the Initial Term of your Franchise Agreement and upon execution of Successor Franchise Agreement | Non-Refundable. Payable to us. Upon expiration of the Initial Term, you will have no right to any one or more Successor Terms. If we decide to provide you with a Successor Term, you will pay the Successor Franchise Fee. |
| Late Fees and Interest | 18% per year or the highest rate allowed by law, whichever is less and $100 per occurrence | On demand | Non-Refundable. Payable to us. |
| Technology Fee | $250 | Due with the payment of Royalties | Non-Refundable. Payable to us. May be revised with 90 days' advance notice to Franchisee |
| Cost of Enforcement | All settlement, mediation, arbitration or court costs and reasonable attorney fees and costs incurred by us in connection with the enforcement of the Franchise Agreement | As incurred by us | Non-Refundable. Payable to us. Payable only if we determine we must engage an attorney to address Franchisee's conduct or defend a suit by Franchisee. |
| Indemnification | All costs including attorneys' fees | As incurred by or levied against the us | You must defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business. |
| Product Purchases | $5,000 to $10,000 | Upon order | You will pay us for RockSalt-branded reformers along with other studio equipment and merchandise. |

Notes:

1. Fees. Unless otherwise stated, all fees paid to us or our affiliates are uniform across all franchisees and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers

may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us and our affiliates via electronic funds transfer ("**EFT**") or other similar means. You are required to complete the EFT / ACH authorization (in the form attached to this Franchise Disclosure Document in **Exhibit F**). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into a Multi-Unit Agreement to operate multiple Franchised Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Franchised Business. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. Gross Revenues. "**Gross Revenues**" means the total selling price of all services and products sold and accrued at, from, or through your Franchised Business, whether or not sold or performed at or from your Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit (See Franchise Agreement, Definitions section, for a complete definition of Gross Revenues).

3. Transfer Fee. No Transfer Fee is required if you transfer your Franchise to a corporation in which you are the majority equity holder, or if you transfer the Franchise to your child, parent, sibling, or spouse. In all other cases, you must pay a Transfer Fee equal to 50% of the then-current Initial Franchise Fee for each Studio transferred.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT
### SINGLE-UNIT FRANCHISE

| Type of Expenditure (*) | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Initial Franchise Fee | $50,000 | $50,000 | Lump Sum | Upon Signing of Franchise Agreement | Franchisor |
| Site Acceptance Fee[1] | $10,000 | $30,000 | As incurred, plus travel expenses | As incurred | Franchisor |
| Pre-Opening Training Travel and Lodging Expenses[2] | $5,000 | $10,000 | As required by the vendor | As incurred | Airlines, Hotels, Restaurants, etc. |
| Real Property – Purchased or Leased[3] | $26,000 | $34,000 | As negotiated with the seller or landlord | Before opening for business | Seller or Landlord; Broker |
| Leasehold Improvements [4] | $40,000 | $250,000 | As negotiated | Before opening for business | Contractors and suppliers |
| Architect Fee | $1,000 | $10,000 | Lump Sum | Before opening for business | Architect |
| Office Equipment, POS Systems[5] | $1,500 | $3,000 | As negotiated with the vendor | As Invoiced | Approved Suppliers |
| Pilates and other Studio | $75,000 | $165,000 | Lump Sum | Before opening | Franchisor and |

| Type of Expenditure (*) | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Equipment(6) | | | | for business | Suppliers |
| Furnishings | $1,200 | $6,000 | Lump Sum | Before opening for business | Suppliers |
| Fixtures | $8,500 | $15,000 | Lump Sum | Before opening for business | Suppliers |
| Security System | $2,000 | $4,000 | As incurred | Before opening for business | Suppliers |
| Utilities Deposits | $500 | $1,000 | As Incurred | As required | Suppliers |
| Opening Inventory for Resale | $1,000 | $3,000 | As required by the vendor | Two months before opening | Approved Suppliers |
| Business Permits and Other Licenses(7) | $500 | $10,000 | As required by vendors | As Required | Government Agencies |
| Signage(8) | $7,000 | $25,000 | As required by the vendor | As Invoiced | Approved Suppliers |
| Legal and Accounting Fees(9) | $15,000 | $20,000 | As required by the vendor | As Invoiced | Professional Consultants |
| Grand Opening Advertising(10) | $3,500 | $6,500 | As required by the vendor | As Invoiced; spend in first 90 days | Approved Suppliers |
| Insurance (11) | $5,200 | $6,800 | As required | Annual, before opening | Insurer |
| Misc. Supplies(11) | $700 | $1,200 | As required by the vendor | As Invoiced | Approved Suppliers |
| Additional Funds (initial 3 months) (12) | $25,000 | $40,000 | Varies | As Incurred | Approved Suppliers and Employees |
| **TOTAL ESTIMATED INITIAL INVESTMENT (13)** | **$ 378,600** | **$ 790,500** | | | |

**Notes:**

* These estimated initial expenses reflect our current best estimate of the costs you may incur in establishing and operating your Franchised Business. Our estimates are based on our experience, the experience of our owners and our officers, the experience of our affiliates, and our current requirements for Franchised Businesses. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Franchised Business may be greater or less than the estimates given, depending upon the location of your Franchised Business, and current relevant market conditions. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to vendors or third parties may be non-refundable, except as you may arrange or as otherwise negotiated in your agreements between you and the vendor or third party.

1. Site Acceptance Fee. We will provide one site acceptance visit to your proposed location for a fee of $10,000.00, plus reimbursement of our actual travel expenses before we permit you to execute a lease. Generally, this visit will involve a member of our team visiting your market,

over an expected 2 – 3 day period.

2. Pre-Opening Training Travel and Lodging Expenses. These are estimates of the costs your designated trainees will incur to travel to and attend our initial training program. This amount will vary based on how many people you send for training, the distance travelled and the accommodations selected.

3. Rent or Real Estate Real Property – Purchased or Leased. Lease costs will vary based upon variances in: (i) size in square feet to be leased; (ii) cost per square foot; and (iii) common area maintenance costs. Location, the length of the lease, the age of the leased property, local market conditions, and the size of the premises and the bargaining power determine these variances. We assume that the landlord will require first and last months' rent and a security deposit equal to one months' rent. You must lease or otherwise acquire a suitable facility for the operation of your Franchised Business. You will typically lease your Authorized Location, which will normally range between 1,200 to 2,500 square feet in size. Our estimate includes the cost of your security deposit and the first and last months' rent payment. Your actual rent payments may vary depending upon your location and your market's retail lease rates. If you purchase instead of lease the premises for your Studio, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments. It is extremely difficult to estimate lease rates or acquisition costs because of the wide variations that depend upon the square footage, location, economic climate, prevailing interest rates and other financing costs, the conditions of the property and other physical characteristics of your site. You should investigate all these costs in the area where you wish to establish your Studio.

4. Leasehold Improvements. If you wholly or partially finance the construction, the initial cash requirements will be reduced by that amount. Additionally, upon negotiation of lease, on occasion, some or all of tenant lessor of the property may pay improvements. The cost will vary based on size, condition and location of the premises, price differences among contractors, local wage rates and material costs.

5. Office Equipment and POS System. Office equipment consists of a PC computer, a tablet device, laser jet printer and 'Point of Sale' system. Your initial cash outlays may be lower if equipment is leased rather than purchased.

6. Pilates and other Studio Equipment. You are required to purchase our branded Pilates reformers and other Studio equipment as we require. The prices will vary depending upon how many reformers and other equipment may be required based upon the size of your Studio. You have the option to leaves the Pilates reformers. Your lease payments will vary based on the number of reformers you lease and your creditworthiness.

7. Business and Other Licenses. Various federal, state, and local laws and regulations may apply to providing Pilates-related services, for example: general business and tax licenses, or zoning and construction laws. You may need to obtain one or more license, zoning variances, or similar entitlements from one or more government agencies. At present, we are not aware of any state that has licensing requirements for a Pilates studio.

8. Signage. Although we do not have a required vendor for the production and installation of the sign, we do require the type and design of the illuminated sign must be approved by franchisor.

9. Legal and Accounting. This estimate includes legal and accounting expenses for negotiating your Franchise Agreement, your lease, or other legal contracts, and business entity organization expenses during the business entity formation period.

10. Grand Opening Advertising. We feel strongly that you should enter the market in an aggressive way to minimize early lack of awareness of RockSalt Pilates among large numbers of potential customers in your market. Grand opening promotional activities vary greatly based upon the nature of the events you elect and the local rates for services selected, for example, public relations, digital and community-based marketing, printing, and advertising.

11. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations.

12. Miscellaneous Supplies. This includes supplies for housekeeping, janitorial disinfectants and other supplies.

13. Additional Funds (initial three months). These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Studio. They include payroll costs during the first three months of operation, but not any draw or salary for you. These figures do not include standard pre-opening expenses, Royalty Fees, or Advertising Fund Fees payable under the Franchise Agreement, or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. Additional funds for the operation of your Franchised Business will be required after the first three months of operation if sales produced by your Studio are not sufficient to produce positive cash flow.

Figures May Vary. This is an estimate of your initial start-up expenses for one Franchised Business.

**YOUR ESTIMATED INITIAL INVESTMENT**
**MULTI UNIT DEVELOPMENT**
**FRANCHISE**

| Type of Expenditure (*) | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Multi-Unit Development Fee | $150,000 | $150,000 | Lump Sum | Upon Signing of Franchise Agreement | Franchisor |
| Site Acceptance Fee(1) | $10,000 | $30,000 | As incurred, plus travel expenses | As incurred | Franchisor |
| Pre-Opening Training Travel and Lodging Expenses(2) | $5,000 | $10,000 | As required by the vendor | As incurred | Airlines, Hotels, Restaurants, etc. |
| Real Property – Purchased or Leased(3) | $26,000 | $34,000 | As negotiated with the seller or landlord | Before opening for business | Seller or Landlord; Broker |
| Leasehold Improvements (4) | $40,000 | $250,000 | As negotiated | Before opening for business | Contractors and suppliers |
| Architect Fee | $1,000 | $10,000 | Lump Sum | Before opening for business | Architect |
| Office Equipment, POS Systems(5) | $1,500 | $3,000 | As negotiated with the vendor | As Invoiced | Approved Suppliers |
| Pilates and other Studio | $75,000 | $165,000 | Lump Sum | Before opening | Franchisor and |

| Type of Expenditure [*] | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Equipment[6] | | | | for business | Suppliers |
| Furnishings | $1,200 | $6,000 | Lump Sum | Before opening for business | Suppliers |
| Fixtures | $8,500 | $15,000 | Lump Sum | Before opening for business | Suppliers |
| Security System | $2,000 | $4,000 | As incurred | Before opening for business | Suppliers |
| Utilities Deposits | $500 | $1,000 | As Incurred | As required | Suppliers |
| Opening Inventory for Resale | $1,000 | $3,000 | As required by the vendor | Two months before opening | Approved Suppliers |
| Business Permits and Other Licenses[7] | $500 | $10,000 | As required by vendors | As Required | Government Agencies |
| Signage[8] | $7,000 | $25,000 | As required by the vendor | As Invoiced | Approved Suppliers |
| Legal and Accounting Fees[9] | $15,000 | $20,000 | As required by the vendor | As Invoiced | Professional Consultants |
| Grand Opening Advertising[10] | $3,500 | $6,500 | As required by the vendor | As Invoiced; spend in first 90 days | Approved Suppliers |
| Insurance [11] | $5,200 | $6,800 | As required | Annual, before opening | Insurer |
| Misc. Supplies[11] | $700 | $1,200 | As required by the vendor | As Invoiced | Approved Suppliers |
| Additional Funds (initial 3 months) [12] | $25,000 | $40,000 | Varies | As Incurred | Approved Suppliers and Employees |
| **TOTAL ESTIMATED INITIAL INVESTMENT** [13] | **$ 278,600** | **$ 690,500** | | | |

1. Development Fee. If we determine you are qualified we may offer you the opportunity to purchase the rights to open additional Franchised Businesses by signing the Multi-Unit Development Agreement and paying a development fee ("**Development Fee**"). Under the Multi-Unit Development Agreement, you will have the right to open up a minimum of three Franchised Businesses. The Development Fee is payable when you sign your Multi-Unit Development Agreement, and is nonrefundable under any circumstances, even if you fail to open any Franchised Businesses. You will pay us the Initial Franchise Fee and one-half of the Initial Franchise Fee multiplied by the number of Studios you are to develop. The balance of the Initial Franchise Fee will be due no later than the date you sign a Franchise Agreement for each Studio to be developed under the Multi-Unit Development Agreement.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

To ensure the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications we list in our proprietary and confidential operating manual, which may exist in various parts, locations, and formats, and may include a combination of audio, video, written material, electronic media, website content, and/or software components. The operational and franchise aspects of a Studio are contained within our confidential RockSalt Pilates Studio franchise operations manual ("**Manual**").

You must not: (i) deviate from these methods, standards, and specifications without our prior written consent, or (ii) otherwise operate in any manner which reflects adversely on our Marks or the Franchise System. Our Manual states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Franchised Business. You must manage all customer complaints and requests for returns in a manner that will not detract from the name and goodwill of RockSalt Pilates Studio.

We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Manual or through written communication (including electronic communication). We will issue copies of our standards and specifications to you and approved and proposed suppliers.

You must purchase, install, maintain in sufficient supply, and use, only Pilates reformers, fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Manual or otherwise in writing.

You must not use, offer, or sell any products or services in connection with your Franchised Business that do not meet our Franchise System standards and specifications, or that we have discontinued or otherwise notified you that you are no longer able to use or offer in connection with your Franchised Business. 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 Franchise System standards and specifications, you must obtain our prior written approval as described more fully in this Item 8.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Franchised Business. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify. You must obtain the insurance coverage required under the Franchise Agreement. The insurance company must be authorized to do business in the state where your Franchised Business is located and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties.

Required Purchases and Right to Derive Revenue

We have the right to require you to purchase certain products or services necessary to operate your Franchised Business. The products or services we require you to purchase from an Approved Supplier or purchase in accordance with our standards and specifications currently consist of: Studio equipment, Pilates equipment, point-of-sale software, retail products for sale and products needed to perform Pilates-related services. These products or services are referred to collectively as your "**Required Purchases**." Required Purchase are set forth in the Manual and may be updated from time to time in our sole discretion.

All Required Purchase must be purchased through Approved Suppliers. Approved Suppliers shall be set forth in the Manual, as the same may be updated from time to time.

You are required to purchase Balanced Body reformers based on specifications we will provide. Purchase information and supplier information are set forth in the Manual.

We estimate that your Required Purchases will account for approximately 20% of your total costs incurred in establishing your Franchised Business, and approximately 10% to 15% of your ongoing costs to operate your Franchised Business after the initial start-up phase.

We or our affiliates may receive rebates from suppliers based on your purchase of products and services, promotional allowances, volume discounts, and other payments. Certain designated suppliers may, in the future, make payments to us based on percentage of franchisee purchases. Currently, we and our affiliates do not receive rebates or other benefits from suppliers for our franchisees' transactions with them. However, in the future, we and our affiliates may receive rebates or other benefits from suppliers for our franchisees' transactions with them.

We or our Affiliate may receive a rebate of between 5% to 10% from Balanced Body from purchases made by you.

You may request approval of an alternative supplier of Required Purchases. We do not share our criteria for evaluating suppliers with franchisees. If an alternative supplier meets our criteria, we will allow franchisees to contract with them directly. Our approval may be revoked at any time or for any reason on thirty days' written notice to franchisee

Purchases from Approved Suppliers

We have the right to require you to purchase any products or services necessary to operate your Franchised Business from a supplier that we approve or designate, which may include us, our affiliates, or other vendors (each an "**Approved Supplier**"). For example, we may require you to use our designated contractors or suppliers for the following items: architectural space plan, construction management consulting, flooring, signage, furniture and equipment. We may designate new or different mandatory contractors or suppliers for any build out service or product at any time. We will provide you with a list of our Approved Suppliers in writing as part of the Manual or otherwise in writing, and we may update or modify this list as we deem appropriate. 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).

We may provide our standards and specifications for those products and services offered by your Franchised Business ("**Approved Products and Services**") directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as set forth more fully in this Item 8; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose. We will issue specifications to you via the Manual, and we reserve the right to modify our specifications via updates to the Manual or via other written communications to you.

Purchasing Cooperatives and Right to Receive Compensation

We do not have purchasing and distribution co-operatives as of the Issuance Date of this Franchise Disclosure Document; however, we may negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees, and we reserve the right to receive rebates on volume discounts from our purchase of products we may resell to you. We will make commercially reasonable attempts to negotiate volume purchase agreements with suppliers or purchasing cooperatives for the benefit of you and other RockSalt Pilates Studios franchises; at this time, no such agreements are in place. As the franchisee base grows, we will look to use our economies of scale to secure volume discount programs with vendors in an effort to save you and other franchises money. We do not provide material benefits, such as renewing or granting additional franchises to franchisees based on their use of designated or approved suppliers. There are no caps or limitations on the maximum rebates we may receive from our suppliers as the result of franchisee purchases.

Approval of New Suppliers

If you desire to have a non-approved supplier of a product or service designated as an approved supplier, you must submit samples of the supplier's products or services to us, along with a written statement describing why such items, services, or suppliers should be approved for use in the Franchise System. We reserve the right to charge a fee to evaluate the proposed supplier of approximately $25,000 per evaluation (See ITEM 6). We do not make our supplier specifications and/or standards generally available to franchisees or suppliers. We will be required to respond to a request about whether to approve a new supplier within 30 days. Our written approval must be received before you use products not purchased from an Approved Supplier. We may revoke our approval at any time if we determine, in our discretion, that the supplier no longer meets our standards. When you receive written notice of a revocation, you must stop selling any disapproved products, and stop purchasing from any disapproved supplier.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

### FRANCHISE AGREEMENT

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Sections 7 and 8.1 | ITEMS 7, 11 and 12 |
| b. Pre-opening purchases/leases | Not applicable | ITEM 11 |
| c. Site development and other pre-opening requirements | Sections 7 and 8 | ITEMS 6, 7, 8 and 11 |
| d. Initial and ongoing training | Section 10 | ITEM 6, 7 and 11 |
| e. Opening | Sections 7 and 10 | ITEM 6 |
| f. Fees | Sections 3 and 4 | ITEMS 5, 6, 7 and 11 |
| g. Compliance with standards and policies/Manual | Sections 3 and 10 | ITEMS 8, 11 and 14 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| h. Trademarks and proprietary information | Sections 5, 12, 13, 14 and 15 | ITEMS 13 and 14 |
| i. Restrictions on products/services offered | Not applicable | ITEMS 8, 12 and 16 |
| j. Warranty and customer service requirements | Section 12 | ITEM 15 |
| k. Territorial development and sales quotas | Section 8 | ITEMS 12 and 17 |
| l. Ongoing product/service purchases | Section 8 | ITEM 9 |
| m. Maintenance, appearance and remodeling requirements | Sections 7 and 12 | ITEMS 6, 8 and 11 |
| n. Insurance | Section 12 | ITEMS 6, 7 and 8 |
| o. Advertising | Section 9 | ITEMS 6 and 11 |
| p. Indemnification | Sections 5, 12 and 18 | ITEM 6 |
| q. Owners' participation/management/ staffing | Sections 8, 10 and 12 | ITEM 9 and 15 |
| r. Records and reports | Sections 11, 15 and 16 | ITEMS 17 and 19 |
| s. Inspections and audits | Sections 5, 9, 11 and 12 | ITEMS 6 and 11 |
| t. Transfer | Sections 12 and 16 | ITEM 17 |
| u. Renewal | Section 12 | ITEM 17 |
| v. Post-term obligations | Sections 15, 16 and 17 | ITEMS 9 and 17 |
| w. Noncompetition covenants | Section 13 | ITEM 17 |
| x. Dispute Resolution | Sections 7 and 17 | ITEM 17 |

**MULTI-UNIT DEVELOPMENT AGREEMENT**

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Not Applicable | ITEMS 7, 11 and 12 |
| b. Pre-opening purchases/leases | Not Applicable | ITEM 11 |
| c. Site development and other pre-opening requirements | Not Applicable | ITEMS 6, 7, 8 and 11 |
| d. Initial and ongoing training | Not Applicable | ITEM 15 |
| e. Opening | Section 6 | ITEM 6 |
| f. Fees | Recital B and Section 4 | ITEMS 5, 6, 7 and 11 |
| g. Compliance with standards and policies/Manual | Section 12 | Item 8, 11 and 14 |
| h. Trademarks and proprietary information | Recital A and Section 1 | ITEMS 13 and 14 |
| i. Restrictions on products/services offered | Not Applicable | ITEMS 8, 12 and 16 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| j. Warranty and customer service requirements | Not Applicable | ITEM 15 |
| k. Territorial development and sales quotas | Section 6 and 8 | ITEMS 12 and 17 |
| l. Ongoing product/service purchases | Not Applicable | ITEM 9 |
| m. Maintenance, appearance and remodeling requirements | Not Applicable | ITEMS 6, 8, 9 and 11 |
| n. Insurance | Not Applicable | ITEMS 6, 7 and 8 |
| o. Advertising | Not Applicable | ITEMS 6 and 11 |
| p. Indemnification | Not Applicable | ITEM 6 |
| q. Owners' participation/management/ staffing | Not Applicable | ITEM 9 |
| r. Records and reports | Not Applicable | ITEMS 17 and 19 |
| s. Inspections and audits | Not Applicable | ITEMS 6 and 11 |
| t. Transfer | Section 8 | ITEM 17 |
| u. Renewal | Not Applicable | ITEM 17 |
| v. Post-term obligations | Not Applicable | ITEMS 9 and 17 |
| w. Noncompetition covenants | Not Applicable | ITEM 17 |
| x. Dispute Resolution | Sections 11.7, 21 | ITEM 17 |

## ITEM 10
## FINANCING

We do not offer direct or indirect financing, nor do we guarantee your note, lease or obligations to third parties. We may refer you to lenders or vendors that provide or assist you with financing that you may choose to work with at your option. We do not have a written arrangement with, nor do we receive direct or indirect benefits from, these third parties if you obtain financing.

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

**Except as listed below, RockSalt Pilates Studios is not required to provide you with any assistance.**

1. <u>Pre-Opening Obligations</u>

Before you open your Franchised Business, we (or our designee) will provide the following assistance services to you:

*Franchise Operation*

We or our representatives will provide you with the following pre-opening assistance: (i) provide owners and designed employees with our standard initial training program that we designate at a location that we designate, (ii) make a representative reasonably available to you via telephone or via e-mail during normal business hours to assist with building programming for your Franchised Business and for determining services to be provided at your Franchised Business, (iii) furnish general guidance through printed, filmed, or streamed material via web, video, or telephone conference meeting, and (iv) for an additional fee, assist you in developing your grand opening marketing program.

We will maintain a website for the RockSalt Pilates Studios concept and list your location and contact information on that website. (Section 8.9 of the Franchise Agreement.)

*Franchise Site*

We will assist you in locating and evaluating potential Authorized Locations for the Franchised Business. You will be required to pay a site acceptance fee in the amount of $10,000 to $30,000 plus travel expenses for the Franchisor to visit the various sites you have selected for your Studio. We or an affiliate will not own the site or the eventual Authorized Location of the Franchised Business.

You are required to have your own counsel review and negotiate the legal terms of your lease for the Authorized Location.

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining, and developing an Authorized Location for your Franchised Business; and (ii) constructing, equipping, remodeling, and/or building out the Authorized Location for use as a Franchised Business, all in accordance with our Franchise System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we determine is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Authorized Location of your Franchised Business. In deciding whether to authorize a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area, and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site (Section 7.1 of the Franchise Agreement).

You must submit information and materials for at least two proposed sites to us for authorization within the first 90 days after you have signed your Franchise Agreement. We will have 15 business days after we receive all required information and materials from you to authorize or decline the proposed site as the location for the Franchised Business. If we do not provide our specific authorization of a proposed site, the site is deemed not authorized. Our authorization only means that the site meets our minimum requirements for a Franchised Business. Before you lease or purchase the site for the Franchised Business, you must locate a site that satisfies our site selection guidelines (Sections 7.1.1 through 7.1.3 of the Franchise Agreement). You must secure a lease for the location of your Franchised Business no more than 180 days after you have signed your Franchise Agreement.

*Franchise Construction*

Provide our then-current Franchise System standards and specifications for the build-out, remodeling, or construction of your Franchised Business.

*Hiring and Training Employees*

Franchisor may make recommendations that it deems appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our guidelines, regarding employment, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

You may provide access to the Manual, or portions thereof, to your employees who need access to perform their jobs, but only to the extent they need it, and only if they sign a non-disclosure agreement. You are responsible for your personnel's use of the Manual and for compliance with RockSalt Pilates Studios' expected level of confidentiality concerning the Manual.

*Franchise Equipment*

We will provide our list of items and equipment needed to open your Franchised Business, along with our proprietary list of Approved Suppliers for those certain items as well as any specifications concerning those items. We may assist in installation of these items for an additional fee, plus our actual costs related to such installation.

2. Schedule for Opening

We estimate that it will take twelve months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules, and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment, and signs, and to complete preparation for operating the Franchised Business, and including purchasing inventory and supplies (Section 7.3 of the Franchise Agreement).

3. Obligations During the Franchisee's Operation

During the operation of your Franchised Business, we (or our designee) will provide the following assistance and services to you:

*Products or Services the Franchisee Will Offer*

We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, or in person.

We may require additional training at our discretion.

We may require you to attend certain meetings via webinar or teleconference. We also require you to attend our annual retreat, in its entirety, in person. The cost is between $100 and $500 per person, as we will determine, plus travel, meal, and accommodation expenses for you and your personnel. You and your personnel in attendance are required to attend each event in the program that we provide for that Annual Retreat. You must stay at the hotel or resort where the Annual Retreat is hosted, unless it is in your local area. You may be required to attend regional franchise retreats as well at our discretion.

We may provide additional consulting services with respect to the operation of the Franchised Business upon your reasonable request and subject to the availability of our personnel. We will make available information about new developments, techniques, and improvements in the areas of advertising, management, and operations.

*Hiring and Training Employees*

We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell products and services; and (iii) the suppliers from whom you obtain any products or services used in or at the Franchised Business for which Franchisor has not established Approved Suppliers. The rendering of any consultation, advice, assistance, consent, approval or services by us does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of your Franchised Business. Any services set forth in the franchise agreement may be provided by us and/or representative(s) or designee(s) of ours.

*Improving and Developing the Franchised Business*

Provide continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance through the distribution of printed or filmed material, by telephone, intranet communication or another electronic forum. We may also provide this assistance with meetings, on site visits, as we deem available and subject to the availability of our personnel. (Section 8.4 of Franchise Agreement).

Approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business, as described more fully below in this ITEM 11 under the heading "**Advertising**" (Section 8.5 of the Franchise Agreement).

Continue to make available to you on our website or intranet, one copy of the confidential Manual, which may include audio and video media, computer software other electronic media, and/or written materials (Section 6 of the Franchise Agreement).

Approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current approved/designated suppliers (Section 8.6 of the Franchise Agreement).

*Establishing Prices*

While you are free to set prices for the services and products offered, we will provide you with suggested prices for these items. All services offered should be competitive with similar services offered at Pilates studios in your area. In addition, state laws and/or regulations may place limits on the retail price of services offered at the Authorized Location. It is your responsibility to ensure that you are in full compliance with these limitations.

*Establishing and Using Administrative, Bookkeeping, Accounting, and Inventory Control Procedures*

We will assist and attempt to provide operating assistance in these areas by offering advice and resources relative to the challenge.

*Resolving Franchisee's Problems*

We will assist and attempt to resolve operating problems by offering advice and resources relative to the challenge. Human Resource challenges may be exempt from this assistance depending on the matter.

4. Franchise Advertising Program

*Franchisor's Obligation to Conduct Advertising*

We will conduct and maintain an Advertising Fund to which you must contribute.

We control the creative concepts, materials and media to be used, and may determine the placement and allocation of advertisements. We do not guarantee that any franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Advertising Fund. We may recommend or use print, television, radio, Internet or other media for advertisements and promotions.

The production and source of our advertising will come from the RockSalt Pilates Studios' marketing team.

*Circumstances when Franchisor permits Franchisee to use Franchisee's own Advertising*

All advertising and promotion that you use in connection with your Franchised Business must be in such media and of such type and format that we approve and shall conform to such standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our Franchise System, provided these activities do not contravene regulations and laws of appropriate governmental authorities (Section 9.1 of the Franchise Agreement).

You must obtain our advance written approval of all advertising, marketing, and promotional plans and materials that you desire to use that have not been prepared by us prior to using or producing any advertising, including all print materials and desired print vendors. You must conduct all advertising in a dignified manner and to conform to the standards and requirements we specify. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received for any advertising plan or material within 14 days from the date we received the material, the material or plan is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials. (Section 9.5 of the Franchise Agreement).

You are required to spend 2% of Gross Revenues on local advertising each month. This local spending obligation is in addition to the Advertising Fund Fee.

*Advertising Council*

At this time, there will be no advertising council composed of Franchisees, but we reserve the right to establish a council in the future.

*Franchisee Participation in Local or Regional Advertising Cooperative*

We require you to participate in local or regional advertising cooperatives, if they exist. The area of the membership in the cooperatives will be defined by us evaluating geographic territory and market areas. You acknowledge that marketing and advertising is required to advise the public about the Franchised

Business. You must use your best efforts to advertise and promote the Franchised Business at your own expense.

We will determine how any regional advertising cooperative ("**Regional Advertising Cooperative**") is organized and governed. We have the power to form, dissolve, or merge cooperatives. Each Regional Advertising Cooperative will be independently run or administered by the franchisees from local members who will elect their own officers. Franchisor-owned outlets will contribute on the same basis as the franchisees. We intend that each Regional Advertising Cooperative will prepare periodic unaudited financial statements which will be available to us and its members. Bylaws will also be created and recorded to provide a basis for governing the cooperatives.

*Franchisee Participation in (any) Advertising Fund*

Franchisees and Franchisor-owned units (if any) are required to contribute to the fund ("**Advertising Fund**"). Both the franchisees and the Franchisor-owned units have equal calculations for the contribution requirement. The required contribution amount is 2.0% of gross of Gross Revenues by electronic transfer to RockSalt Pilates Studios. The Advertising Fund is administered by RockSalt Pilates Studios. The Advertising Fund will be accounted for separately from franchise operations on the Franchisor's accounting books but may not be kept in a separate bank account.

We will have an accounting of the Advertising Fund prepared each year and we will provide a copy if you request it. We may require that the annual accounting be audited by an independent certified public accountant at the expense of the Advertising Fund. We and our affiliates will receive consideration for providing goods and services to the fund that is only general and administrative expenses. We did not have any franchisees operating during our last fiscal year, and we have not collected any marketing fees.

*Remaining Advertising Funds*

We expect to use all contributions in the fiscal year they are made, but we reserve the right to carry over any unused funds into the next fiscal year. If we end the year with a shortage, we will use funds received in the following year to balance the budget. We will use any interest or other earnings of the Advertising Fund before we use current contributions.

5. Franchisor's Requirements for Franchisee's Computer Systems

*Cost of Purchase or Leasing Systems*

We have the right to specify or require that certain brands, types, makes, and/or models of computer hardware and software that you must use in connection with the Franchised Business. Currently we require: (i) a computer network system with appropriate backup and data safeguarding measures built into it; (ii) high-speed internet connection; and (iii) webcam system with proper cabling and server (collectively, the "**Computer System**"). We also require you to use designated point-of-sale software in connection with the Computer System and Franchised Business ("**Required Software**"), as well as the type of tangible media or database structure to use part of the Computer System (Section 12.6 of the Franchise Agreement). We estimate the costs of purchasing or leasing the Computer System is between approximately $1,500 to $3,000 per unit opened. The type of data to be generated or stored in these systems includes but is not limited to the following: sales, customer demographics, appointment reminders, costs of goods sold, and other data via the point-of-sale system.

*Franchisor's Obligation to Provide Maintenance, Repairs, Upgrades or Updates*

We, our affiliates, and third parties have no obligation to provide ongoing maintenance, repairs, upgrades or updates.

*Franchisee's Obligation to Upgrade or Update System*

We may require you to have contractual obligations to upgrade or update any hardware or software regarding the Computer System. You must update or upgrade computer hardware and software as we consider necessary, but not more than once a year. We may, from time to time, adopt different system software or hardware from time to time. When we are ready to adopt it, we will require you to convert to that system after giving you written notice at least 60 days prior to any change taking effect.

*Annual Cost of Optional or Required Maintenance or Operation*

Aside from the up-front costs to purchase point-of-sale system hardware, and the monthly and costs for point-of-sale services, and payment card processing, all of which are outlined elsewhere in this disclosure document, we do not currently anticipate material additional costs to maintain or operate the systems described herein.

*Franchisor's Access to Information*

We reserve a right to have independent access to information on the Computer System. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on our right to access the information and data on any component of your Computer System (Section 12.6 of the Franchise Agreement). The data which shall be generated or stored in the Computer System is information related to the operation of the Franchised Business, including customer information and financial information.

6. Franchise Operations Manual Table of Contents

A copy of the Manual table of contents is attached as **Exhibit G** to this Franchise Disclosure Document. You may review a copy of the Manual at our headquarters before you sign the Franchise Agreement, but you may not possess a copy of the Manual or electronic access to the Manual until after you have signed the Franchise Agreement. The manual contains 225 pages.

7. Franchisor's Training System

*Initial Training Program*

Prior to opening your Franchised Business you and your designated employees must complete our initial training program. We will provide the initial program at our California training facility, online, or at another location designated by us, free of charge for three trainees. However, you must pay for any associated travel and living expenses of trainees.

We will train you and your designated manager (see Article 10.1 of the Franchise Agreement). All courses will be taught as often as we deem necessary, and will be held in San Francisco (area), or another location, as designated by us (see the training chart below). The Training Program will be a minimum of eight (8) business days. The Training Program will include instruction on the topics selected by us. The instructional materials for the Training Program will include the Franchise Operations Manual and other written, electronic or online materials.

**[remainder of page blank]**

## INITIAL TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location of Training |
|---|---|---|---|
| Introduction to RockSalt Pilates | 1 | | San Francisco (area), or at one of our locations |
| Overview of the Fitness business | 1 | | San Francisco (area), or at one of our locations |
| Introduction to equipment and application(s) | 3 | | San Francisco (area), or at one of our locations |
| BOS/POS Technology | 2 | | San Francisco (area), or at one of our locations |
| Generating Leads and Understanding needs and Solutions selling | 2 | | San Francisco (area), or at one of our job locations |
| Pricing for Profitability | 2 | | San Francisco (area), or at one of our locations |
| Recruiting staff for success | 2 | | San Francisco (area), or at one of our job locations |
| Pilates Class instruction training | 2 | 10 of classes, plus 16 hours of studio participation | San Francisco (area), or at one of our job locations |
| Problem solving and customer experience | 2 | | San Francisco (area), or at one of our locations |
| Franchisee administration and Reporting | 2 | | San Francisco (area), or at one of our locations |
| RockSalt Pilates Corporate as a Resource | 2 | | San Francisco (area), or at one of our locations |
| Questions and Discussion | 2 | | San Francisco (area), or at one of our locations |
| Totals | 23 | 10 | |

The Training Programs will be conducted under the supervision of Adrian Ramirez, our Founder and Chief Executive Officer who has 15 years of experience in the fitness business; Peter Belesis, our Chief

Operating Officer who has 25 years of experience in the health and fitness business; along with Rock Salt instructional staff from our various Company-owned units and will generally have 5 or more years of experience individually in fitness instruction.

The Training Programs described in the above charts are provided to you at no additional cost to you, for up to two persons, you and a designated general manager. You are required to pay the travel and living expenses for you and your designated general manager. If you chose to have additional individuals attend training, and there is space available, you will pay a fee of $2,000 per individual, as well as their travel and living expenses. You must pay the salaries and benefits, travel expenses and all other expenses for all persons who attend training on your behalf. You must begin the Training Programs within 60 days of signing the Franchise Agreement, but at least 4 weeks before the scheduled opening of your RockSalt Pilates Franchise and must successfully complete the Training Programs to our satisfaction no later than 4 weeks before you open your RockSalt Pilates Franchise. If you do not successfully complete this training, you will be required to repeat the training under the same terms as initial training, you must pay travel and living expense, as well as the training fee.

We will provide additional training if, during the term of the Franchise Agreement, you hire staff who has not attended and successfully completed the required training, or we, in our discretion, determines that additional training is necessary. The additional training provided by us will be conducted at a location we designate, at our discretion. You must pay us the then-current Training Fee (currently $1,000 per person) and reimburse us for the travel expenses it incurs in providing the training, if conducted onsite in your territory. You must also pay the salaries and benefits, travel expenses and all other expenses for each staff member who attends training on your behalf (see Article 10.10 of the Franchise Agreement).

*Ongoing Training*

In addition to the initial training program, you must complete ongoing owner development training as we require.

## ITEM 12
## TERRITORY

*Protected Territory*

The license granted to you in the Franchise Agreement is limited to permitting the use of the System and Marks in the operation, consistent with the Manual, of a Franchised Business only at the Authorized Location. You must operate the Franchised Business only at this Authorized Location and may not relocate without our prior written consent.

At present, as a matter of general policy, prior to granting a franchise for the operation of a Studio, we consider the demographics in the area, including population size and density, geography, economics, and local considerations. The actual geographic area in which we may allow another Studio to open will differ in different areas. We reserve the right to make this determination at our sole discretion.

Your Protected Territory will generally consist of a radius of one to three miles from the front door of your Authorized Location depending upon the population density of the Protected Territory. We will not authorize the operation of another franchised Studio at a traditional location within your Protected Territory while your Franchise Agreement is in effect and you are not in material breach of your Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Other Studios may also advertise their services or solicit customers (through traditional or other media) within the geographic area in which your Studio is located.

*Relocation*

If the lease for the Authorized Location expires or terminates without the fault of you, or if the Authorized Location is destroyed, condemned or otherwise rendered unusable, or if in our reasonable judgment there is a change in character of the Authorized Location that is sufficiently detrimental to its business potential to warrant relocation of the Franchised Business, or as otherwise may be agreed upon in writing by you and us, we have the right to allow you to relocate the Franchised Business to a new Authorized Location. Any such relocation shall be at your sole expense and must proceed in accordance with the requirements set forth in the Franchise Agreement. We will have the right to require you to pay us any expenses for relocation assistance. Notwithstanding the foregoing, we have no contractual obligation to provide relocation assistance.

*Restrictions On All Types Of Territories*

We and our Affiliates expressly reserve all rights not expressly granted to Franchisee under this Franchise Agreement, including the right to: (i) establish and operate, and license any third party the right to establish and operate, other Studios using the Proprietary Marks and Franchise System at any location outside of you Protected Territory; (ii) market, offer and sell products and services that are similar to those products and services offered by the Studios under a different trademark(s) at any location, within or outside the Protected Territory ; (iii) use the Proprietary Marks and Franchise System to distribute our approved products and/or services (including services such as those performed by the Franchised Business) in any alternative channel of distribution within or outside the Protected Territory, including via the Internet, mail order catalog, direct mail marketing and the sale of products in retail or wholesale store locations; (iv) to acquire, merge with, or otherwise affiliate with, and thereafter 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 those offered by Studios under the Franchise System and Marks, within or outside the Protected Territory; (v) use the Marks and Franchise System, and license others to use the Marks and Franchise System, to engage in any other activities not expressly prohibited in your Franchise Agreement. You understand that the Franchise Agreement will grant you no right: (i) to distribute such products or services as described in this Section; or (ii) to share in any of the proceeds received by any such party unless we otherwise agrees in writing. We are not required to pay any compensation for soliciting or accepting orders from inside your Protected Territory.

You do not have the right to use other channels of distribution, such as the Internet, catalog sales, or telemarketing, to make sales.

You may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Instagram, Twitter, or any other social or professional networking site or blog) or mention or discuss you Franchised Business, us, or our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales. Otherwise, except as provided in ITEM 12, we place no restrictions upon your ability to serve customers provided you do so from the location of your Franchised Business accordance with our policies.

Neither we nor our affiliates operate, plan to operate, or franchise businesses under a different trademark that will sell similar goods or services to those of the franchisees.

## ITEM 13
## TRADEMARKS

The RockSalt Pilates Studios marks identified below are owned by our Affiliate which are registered with the United States Patent and Trademark Office ("**USPTO**"). We have a license agreement with our Affiliate for a 10 year period, renewable for successor 10-year periods, unless we default pursuant to the terms of the license agreement.

| Trademark | Registration Number | Register Date |
|---|---|---|
| ROCKSALT PILATES | 5127950 | January 24, 2017 |
| | 5132566 | January 31, 2017 |
| ROCKSALT | 5127906 | January 24, 2017 |

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court. There are currently no effective agreements that significantly limit our rights to use or license any of the trademarks used by our franchises. All required affidavits have been filed.

As of the Issuance Date of this Franchise Disclosure Document, there is no litigation pending arising out of our Marks, and we are not aware of any superior rights in, or infringing use of, our Marks that could materially affect your right to use these Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation involving the Marks. We are not a party to, or bound by, any agreement that significantly limits our rights to use or license others to use the Marks in any manner material to the Studios we offer.

We grant you the right to operate your Franchised Business under all of the applicable Marks and any other trade names, Marks, service Marks, and logos currently used or that may hereafter be used in the operation of a Franchised Business. You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Marks. The goodwill associated with our Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of your Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with the Marks during the term of the Franchise Agreement will benefit us. All rights to use our Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of the Franchise Agreement.

You may not modify the Marks with words, designs, or symbols without our prior written consent. You may not use our Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of your Franchise Agreement, and continuing after the expiration or termination of your Franchise Agreement, neither you nor any of your owners or managers will, directly or indirectly, contest, challenge, or assist in the contesting or challenging of, our right, title, ownership, or interest in the Marks, trade secrets, methods, procedures, and advertising techniques that are part of our Franchise System, or contest our sole right to register, use, or license others to use, our Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the words "RockSalt," "RockSalt Pilates," "RockSalt Pilates Studio" or any similar phrase. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Authorized Location that you are an independently owned and operated licensed franchisee of RockSalt Pilates Studios.

You must notify us within two business days when you learn about an infringing or challenging use of the Marks. We have no obligation to pursue any infringing users of our Marks. If we become aware of an infringing user, we will take the action we think appropriate, but we are not required to take any action for any reason.

We are not aware of either superior prior rights or infringing uses that could materially affect your use of the principal trade Marks in the state where the franchised business will be located.

We may acquire, develop, and use additional Marks not listed here, and may make those Marks available for your use and for use by other Studios. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Marks. We will not reimburse you for disputes where we challenge your use of a Mark.

You must modify or discontinue using any of the Marks, and add new names, designs, logos or commercial symbols to the Marks as we instruct. We have the right to impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing marketing displays, trade dress, and other advertising), at your sole expense.

You are prohibited from using the Marks in any electronic mail address or in any domain name, except those we designate for use by you in connection with your Franchised Business. You may not maintain your own website to promote your Franchised Business. You may not maintain a presence or advertise on the Internet, social media or on any other public computer network, or any other kind of public modality, using the Marks or referencing your franchise brand and Franchise System without our prior written consent, which we have the right to withhold or retract at any time and for any reason or no reason. We may identify all operating Franchised Businesses, and require you to list your Franchised Business in conjunction with the respective Marks in any traditional and electronic directories that we may designate.

## ITEM 14
## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Manual, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("**Copyrighted Materials**") for the operation of your Franchised Business, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Materials of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Materials that will or may significantly limit using our Copyrighted Materials. We may revise our Franchise System and any of our Copyrighted Materials in our discretion and may require that you cease using any outdated Copyrighted Materials. You will be responsible for printing any revised or new advertising, marketing, or other business materials.

Our Manual, electronic information and communications, sales and promotional materials, the development and use of our Franchise System, standards, specifications, policies, procedures, information, concepts and Franchise Systems on, knowledge of, and experience in the development, operation and franchising of Franchised Businesses, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Franchised Businesses, and other related materials are proprietary and confidential ("**Confidential Information**"), and constitute our property to be used by you only as described in the Franchise Agreement and the Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

You must notify us within two business days after you learn about another's use of language, a visual image, or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Materials, or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Materials, Confidential Information, or Trade Secrets. You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Franchised Business during the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during your Franchise Agreement's term and after the term for as long as the item is not generally known in the Pilates industry; (3) will not make unauthorized copies of any Confidential information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use of or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and other and using non-disclosure and non-competition agreements with those having access to Confidential Information.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or in directly; which, at the time we disclosed it to you, already had lawfully become generally known in the Pilates industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the Pilates industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Materials, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Materials, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Materials, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Materials, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Materials, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Materials, Confidential Information, or Trade Secrets.

No patents or patents pending are material to us at this time.

We have the right to inspect, copy, and use all records regarding the customers, suppliers, and other service providers of, and related in any way to, your Franchised Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we determine, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes as we deem appropriate, at our sole discretion.

You must disclose to us all ideas, techniques, and products concerning the development and operation of your Franchised Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive, and worldwide right to use these ideas, techniques, and products concerning the development and operation of your Franchised Business you or your employees conceive or develop during the term of the Franchise Agreement. We will have no obligation to make any lump sum or on-going payments to you regarding any idea, concept, method, technique, or product. You must agree you will not use, nor will you allow any other person or entity to use, these ideas, techniques, or products without obtaining our prior written approval.

We may revise any of the Copyrighted Materials at our discretion and may require that you cease using any outdated item or portion of the Manual.

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

The Franchised Business must be managed by you on a daily basis until certain sales volume thresholds are met, as set forth in the Manual. Once we authorize you to do so in writing, you are allowed to appoint a designated manager (the "**Designated Manager**"), provided that the Designated Manager successfully completes our Initial Training Program before assuming any managerial responsibility and otherwise meets our then-current standards for a Designated Manager. You or your Designated Manager must provide direct, on-site supervision of your Franchised Business. You or your Designated Manager must also directly supervise your Multi-Unit obligations, if any. If you replace a Designated Manager, the new Designated Manager must satisfactorily complete our Initial Training Program within 60 days at your expense. Your appointment of a Designated Manager shall not relieve you of any duties or obligations under your Franchise Agreement. There is no substitute for your supervision of your Franchised Business, so if you employ a Designated Manager, you must provide general supervision and be fully aware of the affairs of the Franchised Business.

You will keep us informed at all times of the identity of the Designated Manager of your Franchised Business, and any change in their employment status. Designated Managers are not required to have an equity interest in your Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated, you must hire a replacement that meets our then-current standards for a Designated Manager, and whom we approve in writing before hiring, within 30 days after the resignation or termination of the former Designated Manager. Your Designated Manager(s) must have the ability to meet the day-to-day operations and management standards of the Franchised Business, which includes receiving and responding immediately to calls or incoming communications. We reserve the right to withhold approval of a

Designated Manager, in our sole discretion, that we believe does not have the ability to meet our standards because of other conflicting interests.

You, any Designated Manager, and, if you are an entity, any officer that does not own equity in the Franchisee entity must sign the Franchise System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in **Exhibit F**. All your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a Franchise System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in **Exhibit F**. If you are an entity, each owner (*i.e.*, each person holding an ownership interest in you) who owns 5% or greater interest in the entity must personally guarantee the performance of all of his or her obligations under your Franchise Agreement and agree to be personally liable for your breach of your Franchise Agreement by signing the Franchise Agreement and Guaranty Agreement attached to the Franchise Agreement. We also require that the spouses of the owners of the entity or the spouses of individual owners sign **Attachment B** to the Franchise Agreement – Owners Agreement, the Confidentiality Agreement, and the Franchise System Protection Agreement.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must only use the Authorized Location for the operation of your Franchised Business. You must not use or permit the use of the premises for any other purpose without our written consent. You must offer the services and products that we will specify from time to time, in strict accordance with our standards and specifications. You will not be obligated to sell all goods and services that we designate. We have no limit on our right to change the types of authorized good or services. We may periodically change required or authorized products or services. If we modify the System, you may be required to add or replace equipment, signs, and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications. If we change or add to our approved products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any products or services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

## ITEM 17
## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of your Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

### FRANCHISE AGREEMENT

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of Franchise term | Section 4.1 | Ten years from the date you commence operations of the Franchised Business. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| b. Renewal or extension of term | Section 4.1 | If you are in good standing and you meet other requirements, you may enter into two consecutive successor terms of five years each ("**Successor Terms**").<br><br>Following such Successor Terms, you have no right to a successor franchise upon the expiration of your franchise agreement unless we are required to grant you the right to a successor franchise by the laws of your state. If we grant you a successor term ("**Successor Term**"), such successor term shall commence on the expiration of the prior Successor Term (together with the original ten year term, the "**Initial Term**") or the immediately preceding successor term. |
| c. Requirements for Franchisee to renew or extend | Sections 4.1(A). through 4.1(K) | In order to exercise your right to the Successor Term you must: (i) provide notice of your renewal no fewer than nine months and no greater than one year prior to the end of the term; (ii) demonstrate to our satisfaction that you have the right (including licenses and permits) to operate your Franchised Business at the Authorized Location for the duration of the renewal term or, if you are unable to continue operating at the Authorized Location, secure a substitute location that is acceptable to us; (iii) have made such capital expenditures as are necessary to maintain uniformity with any Franchise System modifications such that your Franchised Business reflects the then-current System Standards; (iv) not be in breach of any provision of you Franchise Agreement or any other agreement with us, our affiliates, Approved Suppliers, and also be in substantial compliance with these agreements during their respective terms; (v) satisfy all monetary obligations you have to us, our affiliates, and approved or designated suppliers/vendors; (vi) execute our then-current form of franchise agreement and any ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, higher Royalty Fees and Advertising Fund Fees) from your Franchise Agreement that covered your original term; (vii) satisfy our then-current training requirements for renewing franchisees at your sole expense prior to the renewal date; and (viii) execute a general release in favor of us and our affiliates in the form we prescribe.<br><br>Following the Successor Terms, you have no right to additional Successor Terms upon the expiration of your franchise agreement unless we are required to grant you the right to a Successor Term under the laws of your state. If we grant you the right to a Successor Term, in addition |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | to the requirements set forth above, you must also pay us a successor franchise fee of $20,000. |
| d. Termination by Franchisee | Not Applicable | Not Applicable, subject to applicable state law. |
| e. Termination by Franchisor without cause | Not Applicable | Not Applicable. |
| f. Termination by Franchisor with cause | Sections 14.1 through 14.4 | We may terminate your agreement upon your default and, in some instances, failure to cure. Termination is effective upon delivery of written notice, except as otherwise provided in your Franchise Agreement. |
| g. "Cause" defined - defaults which can be cured | Sections 14.3 and 14.4 | The following are curable defaults under your Franchise Agreement, provided you cure the default within 15 days of our notice: (i) nonpayment of any sums due us, our affiliates, or any of our Franchise System suppliers/vendors; (ii) your failure to immediately endorse and deliver to us any payments due us from any third party that are erroneously made to you; (iii) your failure to maintain sufficient levels of inventory to adequately meet consumer demand; (iv) failure to secure a location or to commence operations in the time periods prescribed in Section 7 of your Franchise Agreement; (v) you fail to maintain the prescribed months, days, or hours of operations at your Franchised Business (unless your failure constitutes abandonment under Section 14 of your Franchise Agreement); (vi) if you, in our sole discretion, fail to personally supervise day-to-day operations of you Franchised Business (unless you have appointed an approved Designated Manager) or fail to employ a sufficient number of qualified, competent personnel as we prescribe; (vii) you fail to maintain the strict quality controls reasonably required by your Franchise Agreement and/or the Manual; and (viii) your failure to procure or maintain any licenses, certifications, or permits necessary for the operation of your Franchised Business. |
| h. "Cause" defined - defaults which cannot be cured | Sections 14.1 and 14.2 | Your Franchise Agreement will automatically terminate without notice or opportunity to cure upon the occurrence of certain events set forth in your Franchise Agreement. |
| i. Franchisee's obligations on termination or, if applicable, non-renewal | Section 15.1(A) through 15.1(M) | Upon termination or expiration of your Franchise Agreement, your obligations include: (i) immediately cease all operations of your Franchised Business; (ii) immediately pay all amounts owed us, our affiliates, and our major suppliers; (iii) cease all use of the Marks, deidentify your Franchised Business, and otherwise cease |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | holding yourself or your Franchised Business out as part of our Franchise System; (iv) within ten (10) days, return all proprietary materials, including the Manual(s) and all clientele information, leasing schedules, and data, Confidential Information, and any other materials displaying our Marks, to us and permanently cease all use of these materials; (v) immediately cease use of all telephone and facsimile numbers and related listings, as well as any permitted domain names, that were used in connection with your Franchised Business (collectively, the "Assigned Property"), and take all necessary steps to assign the Assigned Property to us or our designee; (vi) you must immediately vacate the premises of your Franchised Business and, if we exercise our rights under a Collateral Assignment of Lease, take all necessary steps to assign the lease to us within 15 days of us providing you with notice; (vii) take all actions necessary to amend or cancel any assumed name, business name, or equivalent registration that contains any trade name or Mark, and furnish evidence to us that you have complied with this obligation within 15 days; (viii) permit us to make a final inspection of your financial records, books, and other accounting records within one month of the termination/expiration of your Franchise Agreement; and (ix) comply with your post-term restrictive covenants set forth in Section 15. |
| j. Assignment of contract by Franchisor | Section 16.7 | There are no restrictions on our right to assign your Franchise Agreement. |
| k. "Transfer" by Franchisee – definition | Section 16.1 | Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in your Franchise Agreement, your Franchised Business, or interest in your Franchised Business. Any assignment, sale, transfer, or encumbrance made without our written consent shall be voidable at their option and shall subject your Franchise Agreement to termination as specified. |
| l. Franchisor approval of transfer by Franchisee | Sections 16.1 and 16.5 | Any transfer requires our prior written consent. |
| m. Conditions for Franchisor approval of transfer | Sections 16.5(A) through 16.5(Q) | Transferee must satisfactorily demonstrate to us, in our sole discretion, that it meets our educational, managerial, and business standards to operate your Franchised Business, and also possesses good moral character, business reputation, and credit rating; transferee has adequate financial resources and capital; transferee is not |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | in the same business as us, franchisor, independent operator, or licensee of any other business that is similar to your Franchised Business, except that the transferee may be an existing franchisee; you have paid all amounts owed under any agreement with us or our affiliates, as well as any amounts owed to our Approved Suppliers; you have cured all existing defaults under your Franchise Agreement, and any other agreement with us or our affiliates and designated/approved suppliers, within the time period permitted for cure, and have substantially complied with these agreements during their respective terms; you and your principals and the transferee must execute a general release in favor of us and our affiliates in the form we prescribe; you or the transferee has provided us with a copy of the executed purchase agreement for your Franchised Business, as well as all other documents relevant to the transaction; transferee must execute our then-current form of franchise agreement for the unexpired term of your Franchise Agreement, which may contain materially different terms than your Franchise Agreement; transferee must satisfactorily complete our Initial Training Program at its own expense; pay us a transfer fee; you, your principals, and members of their respective immediate families must comply with the post-termination provisions of your Franchise Agreement; if you are operating from a leased location, the lessor of that location must approve the assignment of the lease to the transferee; the purchase price and terms of the proposed transfer must not be so burdensome as to impair or materially threaten the prospective transferee's ability to operate your Franchised Business and perform under your Franchise Agreement; you must request that we provide the prospective transferee with its current form of Franchise Disclosure Document. We may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise. Our approval of your transfer does not constitute a waiver of any claims we might have against you.<br><br>You do not need to pay a transfer fee if you are an individual and you wish to transfer your Franchise Agreement to a corporation or limited liability company that is wholly owned by you, provided certain conditions are met. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| n. Franchisor's right of first refusal to acquire Franchisee's business | Section 16.4 | We have the right to match any bona fide third-party offer to buy your Franchise rights, assets, or controlling interest that is the subject of a proposed transfer (other than a transfer from an individual franchisee to a business entity as described in Section 16.6 of your Franchise Agreement). We may exercise this right of first refusal within 30 days of the date you provide us with a copy of the third-party offer and any other information that we request. If we do not exercise this option, you must complete the transfer to the third party within 60 days, subject to the conditions set forth in Section 16.5. Otherwise, we will once again have our right of first refusal. |
| o. Franchisor's option to purchase Franchisee's business | Section 15.2 | Upon your termination, we may purchase personal property used in connection with the operation of your Franchised Business by: (i) providing you with notice of our election to do so within 60 calendar days of the expiration/termination of your Franchise Agreement; and (ii) paying you the book value for such personal property within 60 days of providing you with this notice (as "book value" is defined in your Franchise Agreement). |
| p. Death or disability of Franchisee | Sections 16.2 | Upon the death, physical, or mental incapacity of any person with an interest in your Franchise Agreement, the Franchisee, or in all or substantially all of the assets of your Franchised Business, the personal representative of such person shall have the right to continue operation of your Franchised Business if: (i) within 90 days from the death / disability / incapacity, the representative has obtained our prior written approval and has executed our then-current form of franchise agreement for the unexpired terms of the Franchise, or has otherwise furnished a personal guaranty of any business entity of franchisee's obligations to us and our affiliates; and (ii) this person successfully completes our then-current Initial Training Program, which will be provided at our then-current rates. |
| q. Non-competition covenants during the term of the Franchise | Section 13.2 | Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have an owning interest in, loan money to, or perform services for a competitive business anywhere; you may not interfere with our or our other franchisees' Franchised Business(es), subject to applicable state law. |
| r. Non-competition covenants after the Franchise is | Section 13.2 | For a period of two (2) years, you may not own, operate, engage in, or otherwise become involved with any competing business that offers or grants licenses or |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| terminated or expires | | franchises to operate businesses that offer products and services similar to those provided by your Franchised Business, subject to applicable state law.<br><br>For a period of two (2) years, you may not own, operate, engage in, or otherwise become involved with any Competing Business (as defined in your Franchise Agreement): (i) at the premises of your Franchised Business; (ii) within your Protected Territory; or (iii) within a 20-mile radius surrounding the perimeter of: (a) your Protected Territory; or (b) any other Protected Territory licensed by us, or other Studios in operation as of the expiration/termination/transfer of your Franchise Agreement through the date of your involvement in the Competing Business, subject to applicable state law. |
| s. Modification of the agreement | Sections 6.2 and 18.5 | Your Franchise Agreement may not be modified except by a written agreement that both of us sign; however, we can unilaterally modify or change our Manual and Franchise System, as we deem advisable in our sole discretion. |
| t. Integration/merger clause | Section 18.5 | Only the terms of your Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Sections 17.2 and 17.3 | Except for certain claims, all disputes must be mediated and arbitrated in Denver, Colorado, subject to applicable state law. |
| v. Choice of forum | Section 17.4 | Denver, Colorado, subject to applicable state law. |
| w. Choice of law | Section 17.1 | Colorado law, without reference to its conflict of laws principles, and subject to any contrary provision contained in a State-Specific Addendum and subject to applicable state law. |

## MULTI-UNIT DEVELOPMENT AGREEMENT

| Provision | Section in Multi-Unit Development Agreement | Summary |
|---|---|---|
| a. Term of Franchise | Section 2 | Your Development Period will end upon the earlier of: (i) the date you timely exercise your option to open your last Franchised Business; or (ii) the termination of the Multi-Unit Development Agreement. |

| Provision | Section in Multi-Unit Development Agreement | Summary |
|---|---|---|
| b. Renewal or extension of the term | Not Applicable | Not Applicable |
| c. Requirements for you to renew or extend | Not Applicable | Not Applicable |
| d. Termination by you | Not Applicable | You do not have the contractual right to terminate the Multi-Unit Development Agreement. However, you may terminate the Multi-Unit Development Agreement under any grounds permitted by state law. |
| e. Termination by us without cause | Section 7 | This Agreement will automatically terminate upon your opening of the last Franchised Business contemplated by the Multi-Unit Development Agreement. |
| f. Termination by us with cause | Section 7 | Franchisor may terminate the Multi-Unit Development Agreement upon notice, and any remaining option rights will be terminated as well without any refund of any portion of the Option Fee. |
| g. "**Cause**" defined - default which can be cured | Not Applicable | Not Applicable |
| h. "**Cause**" defined - default which cannot be cured | Section 7 | If you fail to timely exercise your option or comply with any other obligations with respect to any Franchised Business within the appropriate Option Period |
| i. Your obligations on termination/non-renewal | Not Applicable | Not Applicable |
| j. Assignment of contract by us | Section 8 | Franchisor has the right to assign this Agreement in whole or in part. |
| k. "**Transfer**" by you - definition | Section 8 | Your rights under the Multi-Unit Development Agreement may not be transferred without Franchisor's prior written consent; except that if you are an individual or a partnership, you have the right to transfer to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in your Franchise Agreement. |
| l. Our approval of transfer by franchisee | Section 8 | Your rights under the Multi-Unit Development Agreement may not be transferred without Franchisor's prior written consent; except that if you are an individual or a partnership, you have the right to transfer to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in your Franchise Agreement. |

| Provision | Section in Multi-Unit Development Agreement | Summary |
|---|---|---|
| m. Conditions for our approval of transfer | Not Applicable | Not Applicable |
| n. Our right of first refusal to acquire your business | Not Applicable | Not Applicable |
| o. Our option to purchase your business | Not Applicable | Not Applicable |
| p. Your death or disability | Not Applicable | Not Applicable |
| q. Non-competition covenants during the term of the Franchise | Not Applicable | Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement, subject to applicable state law. |
| r. Non-competition covenants after the Franchise is terminated or expires | Not Applicable | Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement, subject to applicable state law. |
| s. Modification of the Franchise Agreement | Section 22 | Any modification of this agreement must be in writing and signed by both parties. |
| t. Integration/ merger clauses | Section 22 | Only the terms of the Multi-Unit Development Agreement and related written agreements are binding (subject to applicable state law). Any representations or promises made outside this Franchise Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations we made in this Franchise Disclosure Document. |
| u. Dispute resolution by mediation | Sections 11.7, 21 | Except for certain claims, all disputes must be mediated, subject to applicable state law. |
| v. Choice of forum | Section 18 | Denver, Colorado subject to applicable state law. |
| w. Choice of law | Section 18 | Colorado law, without reference to conflict of law principles, and subject to any contrary provision contained in State-Specific Addendum, subject to applicable state law. |

## ITEM 18
## PUBLIC FIGURES

We do not currently use any public figure to promote our Franchise.

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATION

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 any reasonable basis for the information, and if the information is included in the Disclosure Document. Financial information that differs from that included in ITEM 19 may only be given 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.

**2023 and 2024 Annual Gross Revenue and Labor Costs, by location**

| Location and Year Opened | 2023 Gross Revenue | 2023 Labor Costs | 2023 Gross Operating Margin | 2024 Gross Revenue | 2024 Labor Costs | 2024 Gross Operating Margin |
|---|---|---|---|---|---|---|
| San Mateo, CA. | $393,323 | $121,544 | 69% | $578,477 | $170,216 | 71.% |

**Rounded down to the nearest dollar.*

**Item 19 Footnotes, as indicated**

Above is the financial performance summary for the current **Rock Salt Pilates** business based in San Mateo, California (suburban San Francisco area). These financials represent the performance of our affiliate-owned location, RockSalt Pilates, LLC, and reflect its sales revenue and labor expenses over the prior two calendar years. This business model is mature and the business has been in operation for more than 1 full calendar year or longer. It would generally not reflect the startup performance expected from a new Franchised Business to the RockSalt Pilates System.

1. Any expenses associated with our startup of the franchise company and our owner's compensation are not reflected in the table above.

2. Owner's profitability is taken from the profit line of the business financial in this performance summary. Business owners may pay themselves in a variety of ways, including by salary, through bonuses, commission, distributions, dividends, or any combination thereof.

3. As it relates to sales (this category includes sales revenue of sessions) ranging from $393,323 (lowest) to $578,477 (highest) as reflected in the above table over the years shown.

4. Separately, as our affiliate is operating in the suburban San Francisco market, it also pays employee labor costs or pay contracted instructors to operate in the studio at a higher level of labor expense than the national average costs and provide session services to clients, ranging from 29% (low) to 31% (high) as reflected in the above table. These labor costs do not include owner compensation. We encourage our perspective franchisees to investigate these costs in their local market.

5. The chart above does not include studio rent information, as occupancy costs are significantly higher in the suburban San Francisco area and therefore may not be generally representative of the costs incurred in most of the U.S. The size and costs of rents in the studios can vary substantially. We encourage our perspective franchisees to investigate these costs in their local market.

5. Other expenses to consider should include, but are not limited to: equipment maintenance, replacement and repairs, other equipment including case goods and inventory of products for resale to clients, security deposits, leasehold improvements, permits and licenses, insurance costs, utilities, cleaning equipment, linen services and general facilities maintenance, local marketing and advertising expenses, including cost of printing, uniforms, music system and music licensing, technology, office equipment, operating software and other software and legal, accounting and professional services, training costs, a minimum 3 months of operating capital (though you may need more or less) along with other potential miscellaneous costs.

6. "Gross Revenue" means the total selling price of all services and products sold at and accrued at, from, or through the Franchised Business, whether or not sold or performed at or from the Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit. "Gross Revenues" does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also excluded from Gross Revenues are the amount of any documented refunds, charge-backs, credits, and allowances given to customers in good faith pursuant to Franchisor's standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee.

Variations in franchisee operating level performance are subject to variety factors outside of the control of Franchisor. Factors may include size and demographic characteristics of your local community demographics and homes in your community, competition, your ability to effectively develop and build, lead, manage for profit and market the Franchised Business in your local market. Unpredictable factors, such as availability of rents and cost of labor, weather, social, civic unrest, changes in the local and macro-economic environment and any other factor or event, which is not typical or identifiable, may have an adverse impact upon your ability to perform.

**Some studios have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

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

Other than the information disclosed, we do not provide a financial performance representation. We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Adrian Ramirez, ph: (650) 394-5579, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**
**OUTLETS AND FRANCHISEE INFORMATION**

**ROCKSALT PILATES STUDIOS**

**Table No. 1**
**Franchise System-Wide Outlet Summary**
**For RockSalt Pilates Studios Locations - Years 2022 to 2024**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| **Franchises** | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| **Company-Owned** | 2022 | 1 | 1 | 0 |
| | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| **Total Outlets** | **2022** | **1** | **1** | **0** |
| | **2023** | **1** | **1** | **0** |
| | **2024** | **1** | **1** | **0** |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For RockSalt Pilates Studio locations - Years 2022 to 2024**

| State | Year | Number of Transfers |
|---|---|---|
| **Total Outlets** | **2022** | **0** |
| | **2023** | **0** |
| | **2024** | **0** |

[remainder of page blank]

**Table 3**
**Status of Franchised Outlets**
**For RockSalt Pilates Studio Locations - Years 2022 to 2024**

| State | Year | Outlets at Start of the Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| All States | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Outlets*** | **2022** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2023** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2024** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

**Table No. 4**
**Status of Company-Owned Outlets**
**For RockSalt Pilates Studio locations - Years 2022 to 2024**

| State | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| All States | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Outlets** | **2021** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2022** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2023** | **0** | 0 | **0** | **0** | **0** | 0 |

**Table No. 5**
**Projected Openings for RockSalt Pilates Studio locations**
**As of September 30, 2024**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company Owned Outlets in the Current Fiscal Year |
|---|---|---|---|
| California | 0 | 1 | 0 |
| Florida | 0 | 0 | 0 |
| Texas | 0 | 0 | 0 |
| **TOTAL** | **0** | **1** | **0** |

As of the Issuance Date of this FDD, we do not have any franchisees. The names, addresses, and telephone numbers of franchisees will be added to the list attached to this Franchise Disclosure Document as **Exhibit H**. The name and last known address and telephone number of every franchisee and every franchisee who has had a Studio terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document, will be listed in **Exhibit H**. If you buy this Studio franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Franchise System. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. During the last three (3) fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific Franchise organizations.

## ITEM 21
## FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as **Exhibit A** are audited opening balance sheet as of January 21, 2025. We have not been in business for three years or more and cannot include all financial statements required for Item 21. Our fiscal year end is September 30

## ITEM 22
## CONTRACTS

| | |
|---|---|
| Exhibit B | Franchise Agreement |
| Exhibit C | Multi-Unit Development Agreement |
| Exhibit E | State Addenda and Agreement Riders |
| Exhibit F | Contracts for use with your Franchised Business |

Our preferred method of executing documents is through electronic signature.

## ITEM 23
## RECEIPTS

The last pages of this Franchise Disclosure Document, **Exhibit J,** are a detachable document, in duplicate. Please detach, sign, date, and return one (1) copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

# EXHIBIT A

## FINANCIAL STATEMENTS

# ROCKSALT PILATES FRANCHISE, LLC

FINANCIAL STATEMENT

WITH INDEPENDENT AUDITOR'S REPORT

JANAURY 21, 2025

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

# ROCKSALT PILATES FRANCHISE, LLC

Table of Contents

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

***Independent Auditor's Report***

To the Members
RockSalt Pilates Franchise, LLC
San Mateo, California

***Opinion***

We have audited the accompanying financial statement of RockSalt Pilates Franchise, LLC, which comprise the balance sheet as of January 21, 2025, and the related notes to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of RockSalt Pilates Franchise, LLC as of January 21, 2025, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezos & Dunlavy

St. George, Utah
January 24, 2025

# ROCKSALT PILATES FRANCHISE, LLC

## BALANCE SHEET

As of January 21, 2025

| | | **2025** |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ | 100,000 |
| Total current assets | | 100,000 |
| Total assets | $ | 100,000 |
| **Liabilities and Member's Equity** | | |
| Liabilities | $ | - |
| Total liabilities | | - |
| Member's equity | | |
| Member's equity | | 100,000 |
| Total member's equity | | 100,000 |
| Total liabilities and member's equity | $ | 100,000 |

The accompanying notes to the financial statements are integral part of these financial statements

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

RockSalt Pilates Franchise, LLC ("the Company") was formed on October 3, 2024, as a California limited liability company. The Company's administrative office is located in San Mateo, California. The Company was established to grant franchisees the right to market and support Pilates studios under the name "RockSalt Pilates".

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of January 21, 2025, the Company had cash and cash equivalents of $100,000.

*(e) Income Taxes*

The Company is structured as a limited liability company under the laws of the state of California. Accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of January 21, 2025, no tax years are subject to examination.

*(f) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(3) Subsequent Events

Management has reviewed and evaluated subsequent events through January 24, 2025, which is the date on which the financial statements were issued.

# EXHIBIT B

## FRANCHISE AGREEMENT

# ROCKSALT PILATES FRANCHISE, LLC

**FRANCHISE AGREEMENT**

**Franchisee:** ______________________________

**Date:** _____________________________________

**TABLE OF CONTENTS**

Page

<u>ATTACHMENTS</u>

**ROCKSALT PILATES FRANCHISE, LLC.**
**FRANCHISE AGREEMENT**

This Franchise Agreement ("**Franchise Agreement**") is made and entered into by and between RockSalt Pilates Franchise, LLC, a Colorado limited liability company ("**Franchisor**") and that certain Franchise Owner identified on **Attachment A** to this Franchise Agreement ("**Franchisee**"), as of the "**Effective Date**" identified on **Attachment A** to this Franchise Agreement.

## BACKGROUND

As the result of the expenditure of time, skill, effort, and money, Franchisor and its Affiliates have developed and own the rights to franchise a unique and distinctive system ("**System**") relating to the establishment and operation of Pilates studios that take the principals of Pilates and infuses classical practice with cardio resistance training, light weights, and upbeat music under certain trademarks, including the "**RockSalt**" registered mark ("**Studios**").

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, and furnishings of a Studio; proprietary services and products that are offered to clientele of a Studio; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

The System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the "**RockSalt Pilates**" registered trademark and such other trade names, service marks, and trademarks as are now or may in the future be designated for use in connection with the System, whether owned by or licensed to Franchisor (hereinafter referred to as "**Proprietary Marks**").

Franchisor and its Affiliates continue to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of marketed services and products marketed and under the System, and to represent the System's high standards of quality, appearance and service.

Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service ("**System Standards**"), and the necessity of operating all Studios in accordance with such System Standards. Franchisee must comply with this Franchise Agreement and the System Standards and other requirements that Franchisor or its Affiliates may periodically prescribe for operating a Studio.

Franchisee has applied for a franchise to own and operate a single Studio ("**Franchised Business**").

Franchisor hereby grants Franchisee the right to own and operate the Franchised Business using Franchisor's Proprietary Marks and System, in reliance upon all the representations made in Franchisee's application and in this Franchise Agreement, and subject to the terms and conditions herein.

## AGREEMENT

**NOW, THEREFORE**, the parties agree as follows:

## 1. DEFINITIONS

Whenever used in this Franchise Agreement, the following words and terms have the following meanings:

**"Affiliate"** means any entity that controls, is controlled by, or is under common control with Franchisor;

**"Approved Suppliers"** has the meaning set forth in Section 8.2 of the Franchise Agreement;

**"Authorized Location"** means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

**"Business Judgment"** has the meaning set forth in Section 18.1 of this Franchise Agreement;

**"Confidential Information"** has the meaning set forth in Section 6.3 of this Franchise Agreement;

**"Data Sheet"** means **Attachment A** to this Franchise Agreement;

**"Designated Manager"** means the person designated by Franchisee that Franchisor approves and who has primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

**"Franchise"** means the right granted to Franchisee by Franchisor to use the System and Proprietary Marks;

**"Gross Revenues"** means the total selling price of all services and products sold at and accrued at, from, or through the Franchised Business, whether or not sold or performed at or from the Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit. "**Gross Revenues**" does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also excluded from Gross Revenues are the amount of any documented refunds, charge-backs, credits, and allowances given to customers in good faith pursuant to Franchisor's standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee;

**"Incapacity"** means the inability of Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**"Internet"** means any one or more local or global interactive communications media that is now available, or that may become available, and includes websites and domain names on the World Wide Web and any kind of social media account, post, or profile;

"**Manual**" means the Franchisor's proprietary franchise guides, and any other items as may be provided, added to changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration, and manager's manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda, and other publications prepared by, or on behalf of, Franchisor;

"**Proprietary Marks**" means the trademark "**RockSalt Pilates**" in word mark form, and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings, and other commercial symbols related to the "**RockSalt Pilates**" trademark, and any derivatives thereof, as Franchisor may designate to be used in connection with Studios and/or the System;

"**System**" means the uniform standards, methods, procedures, and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of a Studio;

"**System Standards**" means all mandatory and suggested specifications, policies, standards, safety requirements, operating procedures, and rules periodically prescribed by Franchisor concerning the operation of a Studio, and any information on Franchisee's other obligations under the Franchise Agreement to maintain the high and consistent quality critical to attracting and keeping clients of Studios and preserving the goodwill of the Proprietary Marks, including without limitation the Manual; and

"**Trade Secrets**" means information, without regard to form including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers which are not commonly known by or available to the public and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## 2. GRANT OF FRANCHISE; AUTHORIZED LOCATION

**2.1 Grant and Acceptance.** Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Franchise Agreement, and Franchisee hereby accepts, a non-exclusive license to establish and operate one Franchised Business utilizing the System and the Proprietary Marks. Franchisor has the right to periodically supplement, improve or otherwise modify the System and System Standard. Franchisee shall comply with all changes that may include, without limitation, the offer and sale of new or different products or services through the Franchised Business as Franchisor may specify.

**2.2 Authorized Location.** Franchisee shall operate the Franchised Business only at the Authorized Location identified in the Data Sheet. Franchisee may not relocate the Franchised Business without Franchisor's prior written consent, which Franchisor has the right to grant or deny for any reason or no reason, and Franchisee must reimburse Franchisor for Franchisor's cost in reviewing, evaluating, approving or assisting in any relocation following the Site Selection procedures set forth in Section 7 of this Franchise Agreement. If Franchisee has not secured an Authorized Location authorized by Franchisor as of the Effective Date, Franchisee must secure an Authorized Location, authorized in writing by Franchisor, within 180 days after execution of this Franchise Agreement, subject to Section 7 of this Franchise Agreement.

**2.3 Protected Territory.** Except as otherwise provided in this Franchise Agreement and for so long as Franchisee is not in default of this Franchise Agreement, Franchisor will not establish and operate, nor license any other third party the right to establish and operate, a Studio within the geographical area set forth in the Data Sheet ("**Protected Territory**") during the term of this Franchise Agreement; provided, however, that if the Authorized Location has not been selected as of the Effective Date, the Protected Territory shall be determined by Franchisor, in its Business Judgement, at the time the Authorized Location is selected. Unless the Authorized Location is in a densely-populated area or sparsely populated area, the Protected Territory will be a radius of up to one mile from the Authorized Location.

**2.4** **Rights Within and Outside Protected Territory.** Franchisee may market and promote the Franchised Business and the authorized products and services through the Franchised Business outside of the Protected Territory, provided Franchisee may not market or promote the Franchised Business in any other franchisee's protected territory without first obtaining Franchisor's prior written consent. All sales and other activity must be conducted in accordance with the terms of this Franchise Agreement and System Standards.

**2.5** **Reserved Rights.** Franchisor expressly reserve, on behalf of Franchisor and its Affiliates, all rights not expressly granted to Franchisee under this Franchise Agreement, including the right to: (i) establish and operate, and license any third party the right to establish and operate, other Studios using the Proprietary Marks and System at any location outside of the Protected Territory; (ii) market, offer, and sell products and services that are similar to those products and services offered by the Franchised Business under a different trademark(s) at any location, within or outside the Protected Territory; (iii) use the Proprietary Marks and System to distribute Franchisor's approved products and/or services (including services such as those performed by the Franchised Business) in any alternative channel of distribution within or outside the Protected Territory, including via the Internet, mail order catalog, direct mail marketing, and the sale of products in retail or wholesale store locations; (iv) acquire, merge with, or otherwise affiliate with, and thereafter 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 those offered by Franchisee under the System and Proprietary Marks, within or outside the Protected Territory; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Franchise Agreement. Franchisee understands that this Franchise Agreement grants Franchisee no rights to: (i) distribute such products or services as described in this Section; or (ii) share in any of the proceeds received by any such party unless Franchisor otherwise agrees in writing.

## 3. FEES

**3.1** **Franchise Fee.** Upon the execution of this Franchise Agreement, Franchisee shall pay to Franchisor the initial franchise fee set forth on the Data Sheet ("**Initial Franchise Fee**"). The entire Initial Franchise Fee is deemed fully earned upon Franchisee's signing of this Agreement and is not refundable under any circumstances, in consideration of: (i) administrative, legal, and other expenses incurred by Franchisor in granting this franchise; and (ii) Franchisor's lost or deferred opportunity to enter into this Franchise Agreement with others.

**3.2** **Royalty Fee.** Franchisee shall, on Tuesday for sales generated in the prior week from Monday through Sunday, a weekly royalty fee ("**Royalty Fee**") equal to the greater of 6% or $375 per week of Gross Revenues. The Royalty Fee is non-refundable for any reason once paid.

**3.3** **Advertising Fund Fee.** Franchisor has established a System-wide marketing and brand development fund ("**Advertising Fund**") as set forth more fully in Section 9 of this Franchise Agreement. Franchisee shall pay 2% of Gross Revenues to the Advertising Fund ("**Advertising Fund Fee**"), which will be due and payable on a weekly basis at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the required contribution, per instance, up to five one hundredths of a percent (.05%) of Gross Revenues by giving the Franchisee 90 days' notice. The Advertising Fund Fee is non-refundable for any reason once paid.

**3.4** **Technology Fee.** Franchisee is required to utilize certain computer systems, hardware, software, and systems identified by Franchisor for the operation of the Franchised Business, as set forth more fully in Section 12.6 of this Franchise Agreement and the Manual. Franchisee will be required to pay to Franchisor a monthly technology fee in the amount of $_____ ("**Technology Fee**") for maintenance of Franchisor's systems, website, and e-mail. The Technology Fee will be due and payable on a monthly basis at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the Technology Fee by giving the Franchisee ninety (90) days' notice. The Technology Fee is non-refundable for any reason once paid.

**3.5** **Gross Revenues Reports.** Franchisee must keep complete and accurate records of revenues as set forth in the System Standards and must permit Franchisor to access Franchisee's records upon request or as otherwise set forth in the Manual. Franchisee shall cooperate with Franchisor in determining Gross Revenues and the other payments and fees set forth herein. Upon thirty (30) days' written notice by Franchisor, Franchisee must begin sending Franchisor a signed Gross Revenues report ("**Gross Revenues Report**") on or before the 5th day of each month detailing the following information from the preceding calendar month: (i) Gross Revenues of the Franchised Business; (ii) Franchisee's calculated Royalty Fee and Advertising Fund Fee based on such Gross Revenues; and (iii) any other information Franchisor may require for that reporting period. Franchisor may periodically change the form and content of the Gross Revenues Reports.

**3.6** **Method of Payment.**

A. *EFT Program*. With the exception of the Initial Franchise Fee, Franchisee shall pay all fees due to Franchisor under this Franchise Agreement through an electronic funds transfer ("**EFT**"). At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address, and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Franchise Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached to the franchise disclosure document, necessary to effectuate Franchisor's ability to withdraw funds from such bank account via EFT. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor shall have the right to periodically specify (in the Manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly payment, payment by auto-draft, and payment by check. Franchisor reserves the right to charge a service fee of up to four percent (4%) for any payment paid to it or its Affiliates by credit card.

*Non-Submission of Gross Revenues Reports.* If the Gross Revenues Report has not been received as required by this Franchise Agreement, then Franchisor may process an EFT for the month based on the most recent Gross Revenues Report provided by Franchisee to Franchisor, provided, that if a Gross Revenues Report for the month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

*Right to Modify Payment Interval or Method*. Franchisor reserves the right to modify its method or interval for collecting any fees Franchisee must pay under this Franchise Agreement upon notice to Franchisee, and Franchisor may provide such notice via the Manual or any other manner that Franchisor deems appropriate.

**3.7** **Late Payments and Interest.** Any amounts due Franchisor under this Franchise Agreement, including without limitation, Royalty Fees and Fund Contributions and amounts due for purchases made by Franchisee from Franchisor or its Affiliates, that are not received by Franchisor (or, if appropriate, its Affiliate) by the due date for said payment will bear interest until it is paid in full at the lesser of the rate of (18%) per annum, or the maximum rate permitted by law. If any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event, Franchisee shall pay Franchisor One Hundred Dollars ($100) per occurrence. Franchisee must also pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and outstanding amounts due Franchisor (or its Affiliate), including without limitation, reasonable accounting and legal fees. The foregoing remedy shall be in addition to any other remedies the Franchisor may possess, as permitted by law. Franchisee acknowledges that this paragraph shall not constitute agreement by the Franchisor to accept such payments after they are due or a commitment by the Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due will constitute grounds for termination of this Franchise Agreement if non-payment is not timely cured as set forth in this Franchise Agreement.

**3.8** **Franchisor's Right to Apply Franchisee Payments.** Notwithstanding any designation by Franchisee, the Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee in connection with payments due under this Franchise Agreement, amounts due in connection with purchases from the Franchisor and any of its Affiliates, interest or any other indebtedness.

**3.9** **No Right to Off Set.** Franchisee cannot set off any payments required to be made to Franchisor under this Franchise Agreement against any monetary claim it may have against Franchisor.

**3.10** **Taxes.** Franchisee shall be responsible for paying any and all taxes and sales taxes collected in connection with the Franchised Business to the appropriate government entity.

## 4. TERM AND SUCCESSOR FRANCHISE AGREEMENTS

**4.1** **Initial Term.** This Franchise Agreement shall be effective and binding from the date of its execution by Franchisor and will, unless earlier terminated by Franchisor under this Franchise Agreement, expire on the earlier of (a) the date that is ten (10) years from the date the Franchised Business first opens for business, or (b) the date the initial term of Franchisee's lease for the Authorized Location expires ("Original Term"). Following the Original Term, Franchisee will receive from Franchisor the option to enter into a Successor Franchise Agreement (as defined herein) for two (2) additional successor term of five (5) years (respectively, "First Successor Term", "Second Successor Term" and together with the Original Term, the "Initial Term"), provided that all of the following conditions have been fulfilled:

A. Franchisee has, during the entire Initial Term of this Franchise Agreement, substantially complied with all material provisions herein;

B. Franchisee has access to and, for the duration of the Initial Term, the right to remain in possession of the Authorized Location, or a suitable substitute location authorized by Franchisor, which must be in full compliance with Franchisor's System Standards;

C. Franchisee has, at its sole expense, made such capital expenditures as were necessary to maintain uniformity with any System modifications such that the Franchised Business reflects the System Standards prior to the expiration of the Original Term;

D. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate) and has timely met these obligations throughout the Initial Term of this Franchise Agreement;

E. Franchisee is not in default of any provision of this Franchise Agreement or any other agreement between Franchisee and Franchisor, its Affiliates or any of Franchisor's Approved Suppliers;

F. Franchisee has given written notice of its intent to seek the First Successor Term or the Second Successor Term, as applicable, no less than nine (9) calendar months, and no more than twelve (12) calendar months, prior to the expiration of the prior term;

G. Franchisee has executed Franchisor's then-current form of the Franchise Agreement ("**Successor Franchise Agreement**"), the terms of which: (i) will supersede this Franchise Agreement in all respects, and (ii) may materially differ from the terms of this Franchise Agreement by requiring, among other things, a different percentage Royalty Fee or Advertising Fund contribution (provided, however, that Franchisee shall not be required to pay Franchisor's then-current Initial Franchise Fee under such a Successor Franchise Agreement);

H. Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with Franchisor's then-current training requirements for successor franchises; and

I. Franchisee has executed a general release of any and all claims against Franchisor, its Affiliate(s) and against their respective officers, directors, shareholders and employees, in substantially the form as attached to this Franchise Agreement as **Attachment D**;

J. Franchisee has obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Franchisor's authorized products and services at the Authorized Location and operated in the Franchise Business at the Authorized Location; and

K. Franchisee has paid a successor franchise fee of Twenty Thousand Dollars ($20,000) ("**Successor Franchise Fee**") at least thirty (30) days prior to the expiration of the First Successor Term and the Second Successor Term.

## 5. MARKS

**5.1** Franchisee's right to use the Proprietary Marks is derived solely from this Franchise Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Franchise Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. The parties agree and acknowledge that any unauthorized use of the Proprietary Marks by Franchisee constitutes both a breach of this Franchise Agreement and intentional infringement of Franchisor's trademark rights in and to the Proprietary Marks. Franchisee's use of the Proprietary Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Proprietary Marks by virtue of any use it may make of the Proprietary Marks. This Franchise Agreement does not confer any goodwill, title or interest in the Proprietary Marks to Franchisee. Franchisee shall not, at any time during the term of this Franchise Agreement or after its termination or expiration: (i) challenge or contest the validity or ownership of any of the Proprietary Marks; or (ii) assist any other person in challenging or contesting the validity or ownership of any of the Proprietary Marks in any manner.

**5.2** **Limitations on Use.** Franchisee shall not use any portion of the Proprietary Mark or trade name as part of any corporate or trade name, including without limitation, any use of such name or Proprietary Mark with any prefix, suffix or other modifying words, terms, designs or symbols or in any other modified form, without the prior written consent of Franchisor. In the event a modification is approved by Franchisor, such modification will be considered the property of Franchisor and Franchisor may license such modification to third parties. Franchisee may not use any trade name or any Proprietary Mark in connection with the sale of any unauthorized products or services, or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and provide Franchisor with a copy of any fictitious or assumed name registrations that Franchisor permits Franchisee to obtain. Franchisee shall not register or seek to register as a trademark or service mark, with either the United States Patent and Trademark Office or any state or foreign country, any of the Proprietary Marks or a trademark or service mark that is confusingly similar to any Proprietary Mark licensed to Franchisee. Franchisee must display a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Franchise" of Franchisor on all letterhead, forms, cards and other such identification, and Franchisee must also display such a notice at the Authorized Location.

**5.3** **Notification of Infringements and Claims.** Franchisee must notify Franchisor within two (2) business days of obtaining notice or knowledge of any claim, demand or cause of action based upon, or arising from, any attempt by any other person or business to use the Proprietary Marks or any colorable imitation thereof notify Franchisor of such claim, demand or cause of action. Franchisee must notify Franchisor of any action, claim or demand against Franchisee relating to the Proprietary Marks within two (2) business days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Proprietary Marks, Franchisor has the right, at its option, to control the defense of any such action. Franchisor has the exclusive right to contest or bring action against any third party regarding that third party's use of any of the Proprietary Marks and shall exercise such right in its sole discretion. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge, contest, action or claim; provided, however, Franchisee may communicate with its counsel at its own expense. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by Franchisor, Franchisee must use its best efforts to fully cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Franchisor's counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain, and promote the Proprietary Marks as identifying the System.

**5.4** **Indemnification for Use of Proprietary Marks.** Franchisor has the right to choose to indemnify, defend and hold Franchisee harmless for any third party claims brought against Franchisee that solely arise out of Franchisee's expressly authorized use of the Proprietary Marks in connection with the Franchised Business, but Franchisor shall not be obligated to do so under any circumstances. In the event Franchisor does elect to indemnify Franchisee under this Section, Franchisee must have strictly complied with all notice and other requirements under this Section 5 and must continue to do so until the matter is resolved.

**5.5** **Discontinuance of Use.** If Franchisor determines in its sole discretion that it is advisable or necessary to discontinue, supplement or otherwise modify any of the Proprietary Marks used in connection with the Franchised Business and/or System, including using one or more substitute or additional marks, trade names or other commercial symbols, Franchisor will provide Franchisee with written notice of this determination and directives for implementing any such change in the Proprietary Marks. Franchisee agrees and acknowledges that it must comply with Franchisor's directives within ten (10) business days of receiving notice from Franchisor, unless Franchisor directs Franchisee that the change must be made immediately in order to resolve any third-party claim or dispute regarding the Proprietary Marks, in which case Franchisee agrees and acknowledges to immediately comply with Franchisor's directives. Franchisor will not be required to reimburse Franchisee for any expenses it incurs in connection with: (i) modifying or discontinuing the use of any Proprietary Mark; (ii) any alleged loss of goodwill associated with any modified or discontinued Proprietary Mark; or (iii) any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

**5.6** **Right to Inspect.** Franchisor and/or its designees will have the irrevocable right to enter and inspect the Franchised Business and the Authorized Location at all reasonable times in order to: (i) ensure that Franchisee is properly using and displaying the Proprietary Marks in the operation of the Franchised Business; (ii) observe the manner in which Franchisee is rendering its services and conducting its activities and operations to ensure compliance with System Standards and specifications; and (iii) inspect facilities, financials, equipment, supplies, reports, forms and documents and related data to ensure that Franchisee is otherwise operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and/or its designee also have the right, at any reasonable time, to remove sufficient quantities of any item used in the rendering of services to test whether such item meet Franchisor's then-current standards. Franchisor may conduct such inspections during any regular business hours of the Franchised Business (as prescribed herein or the Manual) without notice to the Franchisee, provided Franchisor has a good faith belief that its inspection will not substantially disrupt the operations of the Franchised Business. Otherwise, Franchisor may provide twenty-four (24) hours' notice of such inspection.

**5.7** **Franchisor's Sole Right to Domain Names and Social Media Accounts.** Franchisee hereby acknowledges that Franchisor and its Affiliates and are the owners or all rights, title, and interest in the registration of the domain name www.rocksaltpialtes.com and any other domain used for the System (each a "Domain Name") and any social media account, post, or profile used for the System (each a "Social Media Account"). During the term of this Franchise Agreement and thereafter, Franchisee agrees not to establish, create, traffic in, or operate any social media account, Internet site, or website using an account name, domain name, or uniform resource locator containing any of the Proprietary Marks, including "RockSalt Pilates" or any portion or variation thereof. Franchisee agrees and acknowledges that Franchisor, its Affiliates, and any licensor of Franchisor or its Affiliates retain the exclusive right to advertise on the Internet and create websites using the "RockSalt Pilates" name and any other Domain Name(s) or Social Media Account(s) that Franchisor may specify in the Manual or other writing. Franchisor is the sole owner of all right, title, and interest in and to such Domain Names and Social Media Accounts. Franchisor may delegate certain of its rights and obligations under this Section 5.7 to Franchisee pursuant to, and in accordance with the terms of, the Manual.

**5.8** **Improvements.** Any improvements or additions to the System, patents, copyrighted materials, the Domain Name, Social Media Accounts, website, or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Franchised Businesses (collectively, "Improvements") conceived or developed by Franchisee shall immediately become Franchisor's property. Franchisee agrees to assign and does hereby assign to Franchisor all right, title, and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisor may apply for and own copyrights, patents, trade names, trademarks, and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may also consider such Improvements as the property and trade secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other person or entity retained or employed by Franchisee is Franchisor's property, and Franchisor shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the Improvements are not works made for hire or rights in the Improvements do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Improvements, which Franchisee and the author of such Improvements warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right in the Improvements as required in this Section.

**5.9** **Photo/Video Release.** Franchisee hereby authorizes Franchisor to use Franchisee's, Franchisee's owners', and Franchisee's guarantor's, likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites and social media accounts. Franchisee agrees and understands that any photograph using Franchisee's likeness will become Franchisor's property and will not be returned. Franchisee irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee for any lawful purpose. Franchisee irrevocably waives any rights to royalties or any other compensation related to Franchisor's use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

## 6. MANUAL

**6.1** **Loan by Franchisor.** During the Initial Term of this Franchise Agreement, Franchisor shall make the Manual available to Franchisee. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and Franchisee shall promptly return the Manual to Franchisor, and permanently destroy or delete all copies thereof, upon expiration or termination of this Franchise Agreement.

**6.2** **Revisions to the Manual.** Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor. Franchisor may provide Franchisee will such changes or modifications to the Manual without any prior notice to Franchisee, and Franchisee must immediately adopt such changes upon receipt thereof.

**6.3** **Confidentiality of Manual.** The Manual contains certain Trade Secrets and other Confidential Information of Franchisor and shall be kept confidential by Franchisee both during the Initial of this Franchise Agreement and subsequent to the expiration or termination of this Franchise Agreement. Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the Manual. At Franchisor's option, Franchisor may post some or all of the Manual, as well as updates thereto, on a restricted website or extranet to which Franchisee and others in the System will have access. If Franchisor chooses to do so, Franchisee shall monitor and access such website or extranet as frequently as Franchisor dictates in the Manual for any updates to the Manual or System Standards. All passwords or other digital identifications necessary to access the Manual on a website or extranet are deemed "**Confidential Information**" as defined in this Franchise Agreement.

## 7. SITE SELECTION AND FRANCHISED BUSINESS CONSTRUCTION

### 7.1 Site Selection.

Franchisee is solely responsible for locating an Authorized Location for the Franchised Business and securing a lease for such location. Franchisor will provide Franchisee with its site selection criteria for the Franchised Business, to the extent such criteria have been developed, either as part of the Manual or otherwise in writing after this Franchise Agreement has been executed.

Franchisee must provide Franchisor with all information Franchisor requests with respect to any proposed location for the Franchised Business, including a copy of the lease or the purchase agreement for such location. Franchisee must propose at least two locations within 90 days after signing the Franchise Agreement or Franchisor may immediately terminate this Franchise Agreement upon written notice to Franchisee.

Franchisor will use commercially reasonable efforts to authorize or reject any proposed location within 15 business days of receiving all the information required by Franchisor to evaluate the proposed location. Franchisor will not unreasonably withhold its approval of a proposed location provided the information provided by Franchisee for the location demonstrates that it meets Franchisor's standards. Franchisor may condition its approval of the lease for any proposed location on (i) Franchisee's and the landlord's agreement to enter into Franchisor's prescribed form of lease addendum attached to this Franchise Agreement as **Attachment C** ("**Lease Addendum**") and (ii) Franchisee's and landlord's agreement to enter into Franchisor's prescribed form of collateral assignment of lease for the premises attached to this Franchise Agreement as **Attachment C-1** ("**Collateral Assignment of Lease**"). Franchisor may, but shall not be required to, terminate this Franchise Agreement upon notice to Franchisee if Franchisee fails to secure an Authorized Location within 180 days of the Effective Date, unless Franchisor agrees to a longer period of time.

Franchisee understands and acknowledges that: (i) the location of the Franchised Business is one of many considerations in the potential success of the Franchised Business; and (ii) Franchisor's authorization of any proposed location does not constitute any type of representation or guarantee by Franchisor with respect that Franchisee will succeed at the selected Authorized Location, or constitute an expression of Franchisor's opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Franchised Business. Once Franchisee secures an Authorized Location, the information must be updated on the Data Sheet.

**7.2 <u>Zoning Clearances, Permits and Licenses.</u>** Franchisee shall be responsible for obtaining all zoning classifications, clearances, or any other form of permission which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Franchised Business or the Authorized Location. Prior to beginning the construction of the Franchised Business, Franchisee shall: (i) obtain all permits, licenses and certifications required in connection with the lawful construction or remodeling, as well as the operation of, the Franchised Business at the Authorized Location; and (ii) certify in writing to Franchisor that the insurance coverage specified in this Franchise Agreement is in full force and effect, and that all required approvals, clearances, permits and certifications have been obtained. Upon written request, Franchisee must provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

**7.3** **Build-Out of Franchised Business.** Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Franchised Business. During the time of construction or remodeling, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. In addition, Franchisor may make onsite inspections as it may deem reasonably necessary to evaluate such progress. Franchisee must notify Franchisor of the scheduled date for completion of construction or remodeling no later than 30 days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor may, at its option, conduct an inspection of the completed Franchised Business. Franchisee acknowledges and agrees that it may not open the Franchised Business for business without the written authorization of Franchisor, and that Franchisor's authorization to open will be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

**7.4** **Opening Date; Time is of the Essence.** Franchisee acknowledges that time is of the essence with respect to all obligations under this Franchise Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee must open the Franchised Business and commence business no more than one year after the Effective Date, or Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee, unless Franchisee obtains an extension of such time period from Franchisor in writing, which Franchisor has the right to grant or deny for any reason or no reason.

## 8. FRANCHISOR'S OBLIGATIONS

**8.1** **Site Selection and Build-Out Assistance.** Franchisor may provide assistance in connection with selecting the Authorized Location or constructing or building out the Franchised Business, as described more fully in Section 7.

**8.2** **List of Approved Suppliers and Approved Products.** Prior to the opening of the Franchised Business, Franchisor will provide Franchisee with a list of: (i) those items and services that Franchisee is required to purchase in connection with the establishment and operation of the Franchised Business, which must be made according to the System Standards and/or from Franchisor's approved/designated suppliers (collectively, the "**Required Purchases**"); and (ii) Franchisor's approved/designated suppliers for such Required Purchases ("**Approved Suppliers**"). These lists may be contained in the Manual or otherwise provided to Franchisee in writing, and Franchisor may modify or supplement these lists as it deems advisable in its sole discretion.

**8.3** **Training Programs.** Franchisor shall provide the Initial Training Program and any additional/ongoing training as set forth in Section 10 of this Franchise Agreement subject to the availability of Franchisor's training staff and at Franchisor's sole discretion.

**8.4** **Ongoing and On-Site Assistance.** Franchisor may provide Franchisee continuing consultation and advice, as Franchisor deems necessary and appropriate in its sole discretion, regarding the management and operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication and on-site visits. If Franchisee requires and requests additional onsite assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus reasonable expenses, including Franchisor's travel and lodging expenses.

**8.5** **Advertising Approval; Prescribed Advertising Materials.** Franchisor will approve or disapprove any marketing that Franchisee wishes to use to promote and/or advertise the Franchised

Business as set forth more fully in Section 9 of this Franchise Agreement. In some instances, Franchisor may provide certain advertising materials and promotional campaigns to Franchisee that Franchisee must use in connection with the Franchised Business, as Franchisor deems necessary in its sole discretion. All advertising and promotional items provided or approved by Franchisor are Franchisor's proprietary property and must be used in the manner and form prescribed by Franchisor.

**8.6** **Alternate Supplier Approval.** In accordance with Section 12.3(C), Franchisor will approve or disapprove Franchisee's requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers that are not one of Franchisor's then-current Approved Suppliers.

**8.7** **Advertising Fund.** Franchisor shall manage and administer the Advertising Fund and shall collect Franchisee's Advertising Fund Fee via EFT as described more fully in Section 3.3.

**8.8** **Annual Retreat.** Franchisor may, as it deems necessary in its sole discretion, hold an annual retreat at a location to be selected by Franchisor ("**Annual Retreat**"). Franchisor shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding Franchised Business operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the Annual Retreat in its entirety for up to three days per year and stay in the same hotel at which the Annual Retreat is held; and (ii) pay Franchisor's then-current registration fee for such attendance (currently, $100 - $500 per person attending). All expenses, including Franchisee's and Franchisee's employees' transportation to and from the Annual Retreat, and lodging, meals, and salaries during the Annual Retreat, are Franchisee's sole responsibility. Franchisor may use expenditures from the Advertising Fund for purposes related to the Annual Retreat, including costs related to productions, programs, and materials.

**8.9** **Website.** Franchisor will establish an Internet website that provides information about the System and the products and services offered by Studio locations, as described more fully in Section 9.7 of this Franchise Agreement. Franchisee may not establish, register or use any other independent website or splash page on the Internet, or any Social Media Account, in connection with the Franchised Business without Franchisor's prior written consent, and then only as set forth in the Manual.

**8.10** **Modification of System.** Franchisor has the right to revise, update, supplement or otherwise modify the Manual, System, and System Standards at any time and to require Franchisee to comply with such revisions upon written notification from Franchisor.

**8.11** **Purchasing Arrangements.** Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such franchisee purchases. Franchisor may utilize such rebated funds in any manner it chooses.

**8.12** **Delegation of Performance.** Franchisee agrees that Franchisor has the right to delegate any duty or obligation imposed on Franchisor by this Franchise Agreement to a designee of Franchisor, including a third-party designee, whether these designees are Franchisor's agents or independent contractors with whom Franchisor has contracted (1) the performance of any portion or all of Franchisor's obligations under this Franchise Agreement, and (2) any right that Franchisor has under this Franchise Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Franchise Agreement.

## 9. <u>ADVERTISING AND MARKETING</u>

**9.1 <u>Participation in Advertising.</u>** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Studios operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

**9.2 <u>Local Advertising.</u>** During the term of this Franchise Agreement, Franchisee shall expend a minimum of 2% of Gross Revenues each month on the promotion and advertisement of the Franchised Business in the Protected Territory ("**Local Advertising Expenditures**"). Franchisee may spend additional sums on local advertising. Franchisee shall use only such advertising and promotional materials that have been previously approved or prescribed by Franchisor. Upon Franchisor's request, Franchisee must submit a report of Franchisee's monthly expenditures on local advertising and marketing on or before the 10th day of each calendar month, along with any invoices or other proof of such expenditures. In addition, Franchisee shall spend at least Three Thousand Five Hundred Dollars ($3,500000) on grand opening advertising in the Protected Territory ("**Grand Opening Advertising**") in accordance with Section 9.6.

**9.3 <u>Advertising Program.</u>** Franchisor has established and administers an Advertising Fund for the purpose of advertising the System on a regional or national basis. Franchisee shall contribute to the Advertising Fund as described in Section 3.3 of this Franchise Agreement. Franchisee agrees that the Advertising Fund shall be maintained and administered by Franchisor or its designee as follows:

A. Franchisor shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks and enhance the collective success of all Studios operating under the System. In administering the Advertising Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of advertising. Franchisor shall be entitled to reimburse itself from the Advertising Fund for its reasonable expenses in managing and administering the Advertising Fund.

B. Franchisee agrees that the Advertising Fund may be used to satisfy any and all costs of maintaining, administering, directing, and preparing advertising the Advertising Fund (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; internet marketing; in-store or point of purchase marketing materials; public relations activities; employing advertising agencies to assist therein; development and maintenance of Franchisor's website; and costs of Franchisor's personnel and other departmental costs consistent with the purposes of the Advertising Fund). All sums paid by Franchisee to the Advertising Fund shall be maintained in a separate account by Franchisor and may be used to defray Franchisor's expenses, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs for franchisees and the System. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The Advertising Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Franchisor will not use the Advertising Fund contributions for advertising that is principally a solicitation for the sale of franchises, but Franchisor reserves the right to include a notation in any advertisement or website indicating "Franchises Available" or similar phrasing.

C. A statement of the operations of the Advertising Fund will be prepared annually by Franchisor and shall be made available to Franchisee upon Franchisee's written request. This statement of operations may be unaudited, but Franchisor reserves the right to use the Advertising Fund contributions to engage an accountant to audit the financial statements of the Advertising Fund.

D. Any monies remaining in the Advertising Fund at the end of any year will carry over to the next year. Although the Advertising Fund is intended to be of perpetual duration, Franchisor may terminate the Advertising Fund at any time at its sole discretion. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for advertising or promotional purposes or returned to contributing Studios or those Studios operated by Franchisor or its affiliates, without interest, on the basis of their respective contributions.

E. If Franchisor elects to terminate the Advertising Fund, Franchisor may, in its sole discretion, reinstate the Advertising Fund at any time. If Franchisor so chooses to reinstate the Advertising Fund, the reinstated Advertising Fund shall be operated as described herein.

**9.4 Advertising Cooperatives.** Franchisor may, in its discretion, create a regional advertising cooperative in any geographic area, or Franchisor may approve the creation of such an advertising cooperative by franchisees in the System, and establish the rules and regulations for such cooperative ("**Cooperative**"). Immediately upon Franchisor's request, Franchisee must become a member of the Cooperative for the area in which some or all of the Protected Territory is located. In no event may the Franchised Business be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner prescribed by Franchisor. The Cooperative may require each of its members to make contributions thereto, but these contributions will be credited towards Franchisee's Local Advertising Expenditures. Each Cooperative will be independently run or administered by the Franchisee's from local members who will elect their own officers. Franchisor owned Studios will contribute on the same basis as the Franchisees. Franchisee shall contribute such amounts at the times and in the manner as determined by the Cooperative members provided that such contributions shall not require a contribution that exceeds 1% of Gross Revenues each month.

**9.5 Conduct of Advertising; Franchisor's Approval.** All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee must obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the three months prior to their proposed use. Franchisee shall submit such unapproved plans and materials to Franchisor at least 30 days prior to the intended date of use, and Franchisor shall have 14 days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within the 14 day period, the proposed materials are deemed not approved. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Franchisee shall not advertise or use the Proprietary Marks in any fashion on the Internet, any social media account, post, or profile, or via other means of advertising through telecommunication without the express written consent of Franchisor. Franchisor may revoke its approval of any previously approved advertising or marketing materials proposed by Franchisee, and Franchisee must cease use of such materials upon receiving notice of revocation from Franchisor. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, "Franchises Available" and reference to Franchisor's telephone number and/or website.

**9.6 Grand Opening Advertising.** In addition to the ongoing advertising contributions set forth herein, Franchisee must spend at least Three Thousand Five Hundred Dollars ($3,500) on a Grand

Opening Advertising campaign to advertise the opening of the Franchised Business. The Grand Opening Advertising campaign shall be conducted in the 90-day period prior to the grand opening of the Franchised Business. All advertisements proposed to be used in the Grand Opening Advertising campaign are subject to Franchisor's review and approval in the manner set forth in this Section 9.

**9.7** **Websites and Social Media.** As used in this Franchise Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

A. Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, Studios, including the Franchised Business, and any or all of the products offered at Studios, the franchising of Studios, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website at any time in Franchisor's sole discretion.

B. Franchisor shall have the right, but not the obligation, to designate one or more web page(s) or social media accounts or profiles to describe Franchisee and/or the Franchised Business. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages or social media accounts, and Franchisor shall have the right to refuse to post or discontinue posting any content or remove any posted material online.

C. Franchisee shall not establish a separate Website or Social Media Account without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website or Social Media Account, Franchisee shall comply with Franchisor's policies, standards, and specifications with respect to the creation, maintenance, and content of any such Website or Social Media Account. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Franchise Agreement and will be subject to (among other things) Franchisor's approval under this Section 9.

D. Franchisee shall not promote or otherwise list the Franchised Business or the Proprietary Marks or System on any social media, third-party application, or networking site, including without limitation, Facebook, LinkedIn, Twitter or YouTube, without Franchisor's prior written consent. Franchisee specifically acknowledges and agrees that any such promotion or listing owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Franchise Agreement and will be subject to (among other things) Franchisor's approval under this Section 9.

E. Franchisor shall have the right to modify the provisions of this Section 9.7 relating to Websites and Social Media, as Franchisor shall solely determine is necessary or appropriate. Franchisor has the right to update these provisions through the Manual or otherwise in writing.

## 10. TRAINING

**10.1** **Initial Training Program.** Franchisee, as well as any Designated Manager, must complete, to Franchisor's satisfaction, Franchisor's initial training program ("**Initial Training Program**") at least 15 days before the opening of the Franchised Business. The Franchised Business must be operated with at least one individual who has successfully completed the Initial Training Program. Franchisor will provide the Initial Training Program to this individual and one additional individuals tuition-free. All trainees that Franchisee designates prior to opening the Franchised Business must attend the Initial Training

Program at the same time. The Initial Training Program will be conducted at Franchisor's then-current training facility, online or at another location Franchisor designates. Franchisor may provide certain components of the Initial Training Program by webinar or otherwise via the Internet, as Franchisor deems appropriate in its sole discretion. All training related expenses, including Franchisee's and other trainees' transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility.

**10.2** **Ongoing Training.** In addition to the Initial Training Program, Franchisee, Franchisee's Designated Manager, and Franchisee's employees will be required to complete ongoing training as designated by Franchisor and set forth in the Manual. Such ongoing training will include, but not be limited to, ongoing owner development training for Franchisee, ongoing employee training for Franchisee's employees, manager training for each new Designated Manager, and employee onboarding for each new employee hired by Franchisee.

**10.3** **Replacement Personnel.** In the event Franchisee or the Designated Manager fails to complete the Initial Training Program to Franchisor's satisfaction, that person may repeat the course or, in the case of an employee, Franchisee may send a replacement ("**Replacement Personnel**") to the next available training session. Franchisor may charge its then-current training tuition fee for Franchisee to re-attend, or to have Replacement Personnel attend, the Initial Training Program. Failure by Franchisee, an employee or any Replacement Personnel to complete the Initial Training Program to Franchisor's satisfaction within the time period prescribed in this Franchise Agreement shall constitute default of this Franchise Agreement and Franchisor may terminate the Franchise Agreement.

**10.4** **Additional Employees.** In the event Franchisee wishes for more than two additional persons to participate in the Initial Training Program (other than Franchisee or Franchisee's partner, principal shareholder or manager or the Designated Manager), Franchisor may provide the Initial Training Program to such additional persons, subject to the availability of Franchisor's personnel. Franchisee will be required to pay Franchisor Two Thousand Dollars ($2,000) for each additional person who attends the Initial Training Program. In addition, all training related expenses for Franchisee's additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility.

**10.5** **Training Materials.** Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request. All training materials provided to Franchisee by Franchisor shall at all times remain Franchisor's property and Franchisee agrees not to challenge Franchisor's or Franchisor's Affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel.

**10.6** **Training Instructors.** Franchisor has the right to substitute certain instructors of, or other personnel involved with, the Initial Training Program with other individuals that have similar experience with the System or have otherwise been properly trained by Franchisor's personnel to be an Initial Training Program instructor.

**10.7** **Failure to Complete Initial Training Program.** In the event Franchisee or its Designated Manager fail to complete the Initial Training Program within the prescribed time period, Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee and Franchisee is not entitled to any refund of the Initial Franchise Fee or other expenses incurred with the Initial Training Program.

**10.8 Staff Training; Staffing Requirement.** Franchisee's employees that Franchisor does not require to attend the Initial Training Program as set forth in Section 10.1 shall be trained by Franchisee, or its owner or Designated Manager that has successfully completed the Initial Training Program to Franchisor's satisfaction. The training of regular employees must be completed prior to the opening of the Franchised Business for those who are employed initially by Franchisee, and prior to the employee commencing its duties for those hired by Franchisee after the opening of the Franchised Business. Franchisee's employees must also attend one hour of ongoing training quarterly, as determined by Franchisor. Franchisee's Designated Manager shall have the skill level, training, and experience commensurate with the demands of the position. At all times during the term of this Franchise Agreement, Franchisee shall employ an adequate staff of employees working at the Franchised Business who shall have been fully and adequately trained, in Franchisor's judgment, and all such employees shall have completed all training certification(s) required by any governmental authority and applicable law.

**10.9 Additional Training.** To assist Franchisee in the operation of the Franchised Business, Franchisor may offer, and may require Franchisee and other personnel Franchisor designates to attend, additional training programs and/or refresher courses, as Franchisor deems necessary in its sole discretion. Franchisor may require Franchisee and its Designated Manager (if applicable) to attend up to two days of additional training under this Section each year, and Franchisee will be required to pay Franchisor's training tuition fee for such additional training upon Franchisor's request. If such training is conducted at the Authorized Location, Franchisee shall also be required to pay Franchisor's reasonable travel and accommodation expenses. Additional training courses and programs may be required by Franchisee and/or its staff as dictated in the Manual. Franchisee shall be required to comply with any updates to the training program within 60 days of receiving updates to the Manual.

**10.10 Costs and Expenses.** With respect to all training described in this Section 10, Franchisee is solely responsible for the expenses of Franchisee, Franchisee's management, and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries, incurred in attending and completing such training.

## 11. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

**11.1 Bookkeeping.** Franchisee must maintain, for at least five fiscal years from their preparation, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and any other standard accounting procedures designated by Franchisor.

**11.2 Reporting.** Upon Franchisor's request, Franchisee agrees to submit the following information and reports to Franchisor in a form Franchisor periodically prescribes (which may include electronic mail) and consistent with generally accepted accounting principles and the System Standards:

A. within 30 days after the end of each calendar quarter, a balance sheet, income statement and profit and loss statement for that quarter and Franchisee's fiscal year to date;

B. within 60 days after the end of Franchisee's fiscal year, a balance sheet, income statement and statement of cash flow of the Franchised Business for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles consistently applied and in the format Franchisor periodically prescribes; and any other data, information and supporting records that Franchisor designates, including any and all reports set forth in the Manual.

C. Any quarterly and annual financial information that Franchisee submits must be certified as correct by Franchisee or, if Franchisee is an entity, by one of Franchisee's principal officers. If

Franchisee fails to submit any required report, including Gross Revenue reports required under Section 3.5 or required financial statements under this Section 11.2, when due, Franchisor may charge Franchisee One Hundred Dollars ($100) per occurrence and One Hundred Dollars ($100) per week until the report or financial statement is submitted, and Franchisor may debit Franchisee's bank account for such amounts. Franchisor may require that any quarterly or annual financial reports be audited at Franchisee's expense if Franchisor previously conducts an audit that revealed Franchisee was underreporting in any manner. Franchisee's fiscal year shall be the calendar year, unless Franchisee obtains Franchisor's prior written consent to have a different fiscal year end. Franchisor shall have full access to all of Franchisee's data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained **at Franchisee's sole expense.**

**11.3 <u>Tax Returns and Fiscal Year.</u>** In addition to the information and materials set forth in Section 11.2, Franchisee agrees to maintain and furnish to Franchisor complete copies of all federal, state and local tax returns, including those detailing income, sales, value added, use and service taxes, as well as employee withholding, worker's compensation, and similar reports filed by Franchisee reflecting financial activities of the Franchised Business, on or before April 15th of each year for the preceding fiscal year. Franchisee's fiscal year must commence on January 1st of each year and must end on December 31st of each year.

**11.4 <u>Right to Disclose Information.</u>** Franchisor has the right to disclose data derived from the reports Franchisee furnishes without identifying Franchisee or the location of the Franchised Business.

**11.5 <u>Right to Inspect and Conduct Audit.</u>** Franchisor and Franchisor's designees have the right to inspect and/or audit Franchisee's business records at any time during normal business hours to determine whether Franchisee is current with suppliers and is otherwise operating in compliance with the terms of this Franchise Agreement and the Manual. If any audit reveals that Franchisee has understated Franchisee's royalty or advertising payments, or Franchisee's Local Advertising Expenditures, by more than 2%, or if Franchisee has failed to submit timely reports and/or remittances for any two reporting periods within any 12-month period, Franchisee must an audit fee of $25,000., together with amounts due for royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Franchise Agreement.

**12. <u>FRANCHISEE'S OBLIGATIONS AND DUTIESBest Efforts and Promote Integrity of the System.</u>** Franchisee must use best efforts to promote and increase the demand for the authorized products and services offered by the Franchised Business within the Protected Territory, and otherwise devote its best efforts to the operation of the Franchised Business. Franchisee covenants to deal fairly and honestly with all customers and Franchisor, and that all of Franchisee's advertising and promotion shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and System.

**12.2 <u>Operations.</u>**

A. *Hours of Operation.* Franchisee must operate the Franchised Business for at least those days and number of hours Franchisor specifies in the Manual or otherwise in writing.

B. *Maintenance of Premises.* Franchisee must maintain the Franchised Business in a clean, safe, and attractive manner, and in accordance with all applicable requirements of law, including all federal, state, and local health laws, as well as this Franchise Agreement and the Manual. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Franchised Business in order to preserve, maintain, and enhance the reputation and goodwill of the System.

C. *Staffing.* If required, Franchisee must hire and supervise efficient, competent, and courteous persons as Franchisee's employees for the operation of the Franchised Business and set and pay their wages and incentives with no liability on Franchisor. Franchisee must require its employees to work and abide by the Manual. Franchisee understands and acknowledges it is Franchisee's responsibility to hire and supervise a satisfactory number of employees in order to efficiently operate the Franchised Business and meet Franchisee's obligations under this Franchise Agreement. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employers or subject to Franchisor's control. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee alone is responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities Franchisor incurs.

D. *Compliance with Manual and Training of Employees.* Franchisee agrees to conduct the Franchised Business in accordance with the Manual. Franchisee shall immediately train and instruct Franchisee's employees in accordance with this Franchise Agreement and the Manual, and shall continue such training and instruction as long as each employee is employed. Any required standards exist to protect Franchisor's interests in the System and the Proprietary Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. The required standards generally will be set forth in the Manual or other written materials. The Manual may also include guidelines or recommendations in addition to required standards. In some instances, the required standards may include recommendations or guidelines to meet the required standards. Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect Franchisor's interests in the System and Proprietary Marks, Franchisor reserves the right to determine if Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

E. *Management Participation and Designated Manager*. Franchisee (or at least one of Franchisee's principals if Franchisee is an entity) must personally supervise the day-to-day operations of the Franchised Business until certain sales volume thresholds are met, as set forth in the Manual. Franchisee (or at least one of Franchisee's principals if Franchisee is an entity) must devote Franchisee's best efforts to the management and operation of the Franchised Business and ensure that customers have access to the Franchised Business at all days and times set forth in the Manual. Franchisee may, once certain sales volume thresholds are met, and with the written permission of Franchisor, delegate the day-to-day operation of the Franchised Business to a Designated Manager; provided the Designated Manager: (i) is approved by Franchisor in writing prior to such delegation; and (ii) successfully completes Franchisor's Initial Training Program before assuming any managerial responsibility. The Franchised Business must, at all times, be staffed with at least one individual who has successfully completed the Initial Training Program. In the event that Franchisee operates more than one Franchised Business franchise, Franchisee shall have a properly trained Designated Manager who has been approved by Franchisor at each location. Franchisee shall keep Franchisor informed at all times of the identity of any employee acting as Designated Manager of the Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated from the Franchised Business, Franchisee shall hire a replacement approved in writing by Franchisor who meets Franchisor's then current standards for Designated Managers within 30 days after termination or resignation of the prior Designated Manager. Franchisee must train the new Designated Manager within 30 days of hiring. Franchisor reserves the right, without the obligation, to train the new Designated Manager directly and to require the new Designated Manager to complete the Initial Training Program prior to assuming duties relating to the day-to-day operation of the Franchised Business. Any Designated Manager(s) shall devote full time and best efforts to the day-to-day operation and management of the Franchised Business and must not engage in any other business activity without Franchisor's prior written consent.

F. *Working Capital*. Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations, and responsibilities hereunder and to operate the Franchised Business in a businesslike, proper, and efficient manner.

G. *Inventory*. Franchisee must at all times maintain sufficient equipment and levels of inventory and supplies as required by Franchisor to adequately meet consumer demand and operate the Franchised Business at maximum capacity and efficiency. Franchisee shall purchase the minimum quantity of initial inventory as directed by Franchisor in the Manual or elsewhere.

H. *Mystery Shopper*. To ensure uniformity and compliance with the System, Franchisor may send a mystery shopper or similar third party to the Franchised Business. Franchisor may, but is not obligated to, share the results of the mystery shopper with Franchisee.

**12.3 <u>Purchasing Requirements and Sources of Supply.</u>**

A. *Compliance with Standards.* Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Franchise Agreement and the Manual are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Franchise Agreement and the Manual and any revisions or amendments to same. Franchisee shall use signs, furnishings, supplies, fixtures, equipment, inventory, and printing services that comply with Franchisor's then-current standards and specifications, which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

B. *Designated and Approved Suppliers*. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain inventory and services, as well as certain signs, furnishings, supplies, fixtures, computer hardware and software, and other equipment from Franchisor or such Approved Supplier that Franchisor designates in the Manual or otherwise in writing. Franchisee hereby acknowledges that Franchisor, Franchisor's Affiliate and/or any other third party may be one of several, or the only, Approved Supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's Affiliates have the right to realize a profit on any products or services that Franchisor, Franchisor's Affiliates or Franchisor's Approved Suppliers supply and/or provide to Franchisee.

C. *Unapproved Item and/or Alternate Supplier Approval*. In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments or other forms of consideration from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve any number of suppliers for a given item, which approval might, in Franchisor's Business Judgement, result in higher costs or prevent the effective or economical supervision of Approved Suppliers. Franchisor may charge Franchisee a fee of Twenty Five Thousand Dollars ($25,000.00) ("**Alternative Supplier Evaluation Fee**") if Franchisee requests Franchisor to evaluate an unapproved item or supplier. Franchisee must pay Franchisor the Alternative Supplier Evaluation Fee regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 30 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves of must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

**12.4 Authorized Products and Services.** Franchisee shall offer for sale all products and services which Franchisor prescribes and only those products and services which Franchisor prescribes. Franchisee may not offer any other products for sale without having received Franchisor's prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory as specified in the Manual, to adequately satisfy consumer demand.

**12.5 Premises Inspection.** Franchisee agrees that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, Franchisee will permit Franchisor during business hours, to inspect the Franchised Business, confer with Franchisee and Franchisee's employees and customers, check inventories and methods, and perform any other inspection which Franchisor deems necessary to protect the standards of quality and uniformity of the Franchise system and Franchisee's performance under this Franchise Agreement. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor. Except as otherwise provided in this Franchise Agreement, Franchisor is not required to provide Franchisee with any notice prior to conducting such an inspection.

**12.6 Computer Software and Hardware.**

A. *Computer System and Required Software.* Franchisor has the right to specify or require that certain brands, types, makes, or models of computer hardware, software, computer-based services, and online accounts that Franchisee must use in connection with the Franchised Business, including without limitation (i) a laptop or other computer that meets Franchisor's then-current specifications; (ii) a customized point of sale system ("**POS System**"), in the event Franchisor makes such a POS System part of its proprietary operating system in the future; (iii) printers and other peripheral hardware/devices such as webcams; and (iv) equipment necessary to maintain a physical, electronic or other security system for the Authorized Location and Franchised Business that Franchisor may designate (collectively, the "**Computer System**"). Franchisor may also require Franchisee to use designated software, computer-based services, or online accounts in connection with the Computer System and Franchised Business (collectively, the "**Required Software**"), as well as the type of tangible media and/or database structure to use as part of the Computer System. Franchisor reserves the right to charge Franchisee a recurring fee for any custom or proprietary software for use in the Franchised Business, and to require Franchisee to subscribe to third-party services and purchase products from third parties. In the event Franchisee already has computer hardware and/or software that meets the System Standards for a Computer System and/or Required Software, then Franchisor may allow Franchisee to use its existing equipment/software in connection with the Franchised Business.

B. *Compliance with Requirements.* At Franchisor's request, Franchisee will purchase or lease, and thereafter maintain, the Computer System and, if applicable, any Required Software at Franchisee's sole expense. Franchisee expressly agrees to strictly comply with the System Standards for all items associated with the Computer System and any Required Software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing.

C. *Internet and Franchisor's Access.* Franchise must take whatever steps necessary to ensure that the Franchised Business has an accessible Wi-Fi internet access that can be used by Franchisee's clientele and must do so at Franchisee's sole expense. Franchisor may require: (i) Franchisee to comply with its standards and specifications for Internet access and speed; and (ii) that Franchisee's Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor will also have the right to, at any time without notice, electronically and independently connect with the Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisor's right to access the information and data on any component of the Computer System. At Franchisor's request, Franchisee shall deliver to Franchisor all access codes, static internet protocol ("**IP**") addresses and other information to facilitate Franchisor's access to the data described in this Section within 30 days of opening the Franchised Business.

D. *Proprietary Software.* Franchisor has a proprietary interest in all databases, lists, templates, programs, and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software ("**Proprietary Software**"). Any Proprietary Software, if developed, will be Franchisor's proprietary product and the information collected will be deemed Franchisor's Confidential Information.

E. *Area Computer Network*. Upon Franchisor's request, Franchisee will be required to participate in any System-wide area computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such area computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Franchise Agreement to Franchisor on-line; (ii) view and print portions of the Manual, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (iv) to complete any initial or ongoing training, in the event Franchisor makes such training accessible through this medium. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisee understands and agrees that it is solely responsible for any licensing and/or maintenance fee(s) associated with any intranet or extranet described in this Section.

F. *E-mail Address.* Franchisee agrees that it will only use the e-mail address provided by Franchisor in connection with the Franchised Business, and that Franchisee will not use such email address for any other purpose.

**12.7** **Personal Conduct.** Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring the Proprietary Marks into disrepute.

**12.8** **Telephone Number.** Franchisee must obtain its own local telephone number for use in connection with the Franchised Business, which must be listed under the Proprietary Mark "RockSalt Pilates" as applicable or other listing designated by Franchisor when displayed in any traditional or electronic directory. This telephone number must be used exclusively in connection with Franchisee's operation of the Franchised Business. Any telephone listing Franchisee has in any directory must be approved by Franchisor prior to publication. Upon the expiration, transfer or termination of this Franchise Agreement for any reason, Franchisee must cease all such use of such telephone number(s) and listings, at Franchisor's option, listing(s) and assign same to Franchisor or Franchisor's designee.

**12.9** **Payment of Debts.** Franchisee is solely responsible for selecting, retaining and paying Franchisee's employees, the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Business, and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the Franchised Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between suppliers and franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from Franchisee's operation of the Franchised Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

**12.10** **Compliance with Applicable Laws.** Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business, including, without limitation, all government regulations relating to commercial leasing, operations and the products and services provided by the Franchised Business, occupational hazards and health, trademark and copyright infringement, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Franchised Business. Franchisee must also obtain and maintain all permits, licenses, and registrations required for the lawful operation of the Franchised Business and comply with all health and safety codes.

**12.11** **Trade Secrets and Confidential Information.** Franchisee must maintain the confidentiality of all Franchisor's proprietary and Confidential Information as set forth in this Franchise Agreement.

**12.12** **Image.** Franchisee agrees to offer all Franchisor's authorized products and services and to conduct the Franchised Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee, but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Studio. Franchisee shall, in the operation of the Franchised Business, use only displays, bags, labels, forms, stationary, and other products bearing the Proprietary Marks that Franchisor designates or approves.

**12.13** **Pending Actions.** Franchisee shall notify Franchisor, in writing, within five days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

**12.14** **Remodeling/Updating Franchised Business Premises.** To assure the continued success of the Franchised Location, Franchisee must, upon the request of Franchisor, remodel and/or redecorate the premises of the Franchised Business, which may include equipment, signs, interior and exterior décor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Franchised Business, to the System Standards. Franchisor agrees that it shall not request such remodeling and/or redecorating more frequently than every five years during the term of this Franchise Agreement, except that if the Franchised Business or Franchisee is transferred pursuant to Section 16, in which case Franchisor may request that the transferee remodel and/or redecorate the Franchised Business premises as described herein.

**12.15** **Health and Safety Standards.** Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within two days of its receipt thereof, a copy of all health inspection reports and any violation or citation which indicates Franchisee's failure to maintain federal, state, or local health or safety standards in the operation of the Franchised Business. Franchisee's failure to cure such violations within 24 hours shall constitute grounds for immediate termination under the Franchise Agreement.

**12.16** **Customer Service.** Franchisee and its employees shall be prompt, courteous, honest, and respectful to all customers and prospective customers, and must adhere to Franchisor's customer service procedures as set forth in the Manual or otherwise in writing. In the event there is a consumer complaint, Franchisee must answer and schedule a response to the complaint within 48 hours of its receipt of the complaint. If a complaint is filed with the Better Business Bureau, Franchisee must respond appropriately within 24 hours. Franchisee must provide Franchisor with a copy of Franchisee's response to either type of complaint, which must be sent to Franchisor within 24 hours of sending such response. Franchisor may in Franchisor's discretion provide a refund or other value to customers of the Franchised Business, in which event Franchisee must reimburse Franchisor for Franchisor's reasonable cost incurred in responding to the customer complaint.

**12.17** **Compliance with Lease and Other Agreements.** Franchisee shall comply with all the terms of its lease or sublease and all other agreements affecting the operation of the Franchised Business, and shall promptly furnish Franchisor a copy of its lease upon request. Franchisee shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Authorized Location.

**12.18** **Changes to the System.** Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, including any intellectual property rights thereto.

**12.19** **Insurance.** Franchisee must procure and maintain, at its sole expense, such insurance covering the operation and location of the Franchised Business as Franchisor may designate from time to time from Franchisor's designated supplier for such insurance. Franchisee must procure the insurance Franchisor then requires for the establishment and operation of a Studio as designated in the Manual or otherwise in writing by Franchisor at least 20 days prior to opening the Franchised Business or upon signing a lease agreement for the premises of the Franchised Business, whichever comes first. All insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A or better as reported in the most recent edition of A.M. Best's Insurance Reports. Franchisor's approval of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the lease of the Authorized Location or by any of Franchisee's lenders or equipment lessors and such workers compensation insurance as may be required by applicable law. Franchisee, at its sole expense, shall add Franchisor and any other parties Franchisor may designate to all insurance contracts as additional insureds under the insurance policies (except Worker's Compensation Insurance). All insurance policies will contain a waiver of subrogation in favor of Franchisor and any parties Franchisor designates. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within 24 hours. Franchisee has a 24 hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 calendar days prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance that demonstrates compliance with this Section. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep the same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and an administrative fee equal to 20% of the premium cost incurred in connection with Franchisor obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## 13. CONFIDENTIALITY AND COVENANTS AGAINST COMPETITION

### 13.1 Confidentiality.

A. *Nondisclosure.* During the term of this Franchise Agreement, Franchisee will receive information which Franchisor considers a Trade Secret and Confidential Information, including but not limited to: the Manual, Franchisor's proprietary training, marketing and other instructional materials, Trade Secrets, information related to any proprietary methodology or aspects of the System or the establishments and continued operation of the Franchised Business, financial information, supplier and vendor prices and matrices, and any and all clientele lists and data obtained through the operation of the Franchised Business (collectively, the "**Confidential Information**"). Franchisee shall not, during the term of this Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or Entity, any Confidential Information including, without limitation, Trade Secrets, copyrighted materials, as well as any methods and other techniques and know-how concerning the operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Franchise Agreement, but Franchisor is not required to expressly designate certain material as confidential in order for it to be considered Confidential Information if the material is, by its very nature, proprietary and confidential. Upon termination or expiration of this Franchise Agreement, regardless of reason, Franchisee shall return all copies of such Confidential Information to Franchisor immediately, and Franchisee may not use the Confidential Information for any purpose other than operating the Franchised Business in accordance with the System Standards.

B. *Employees.* Franchisee must require all of Franchisee's officers, directors, managers and other employees to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business premises. Such covenants shall be in a form satisfactory to Franchisor and substantially similar to the Confidentiality and Non-Competition Agreement attached to the franchise disclosure document. These agreements must include, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with independent rights to enforce them.

**13.2 <u>Non-Competition</u>**

A. *In-Term.* Franchisee specifically acknowledges that, pursuant to this Franchise Agreement, Franchisee and its owners and personnel will receive valuable training, Trade Secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System which are beyond the present skills and experience of Franchisee, its principals and Franchisee's managers and employees. Franchisee acknowledges that such specialized training, Trade Secrets, and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, Trade Secrets and confidential information is, therefore, a primary reason why they are entering into this Franchise Agreement. In consideration for receiving such specialized training, Trade Secrets and Confidential Information and being granted the right to operate the Franchised Business utilizing the System and Proprietary Marks, Franchisee covenants that, during the term of this Franchise Agreement, neither Franchisee nor any of its owners, principals, shareholders, members or partners (as applicable) shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), any entity:

B. *Diversion.* Divert, or attempt to divert, any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

C. *Competing Business.* Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business that: (i) is the same as, or substantially similar to the Franchised Business; (ii) engages in providing Pilates-related services or that offers or provides any of the other products/services that are offered by the Franchised Business; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that engage in providing Pilates-related services or that offer or provide any of the other products/services that are offered by the Franchised Business ("**Competing Business**"); provided, however, that this Section does not apply to Franchisee's operation of the Franchised Business. As used in this Franchise Agreement, Competing Business includes a Studio unless Franchisee has signed a franchise agreement with Franchisor to own and operate such a branded Studio.

D. *Post-Term.* For a continuous uninterrupted period of two years commencing upon the expiration or termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement, neither Franchisee, nor any of its owners, principals, members, or partners (as applicable), may directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s) or entity:

E. *Franchising or Licensing Activities.* Be involved with any business competing in whole or in part with Franchisor in granting franchises or licensing, or establishing joint ventures, for one or more Competing Businesses that engage in providing Pilates-related services or that offer or provide any of the other products/services that are offered by the Franchised Business;

F. *Other Competing Businesses.* Own, maintain, engage in, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business within the following areas: (i) at the location of the Franchised Business; (ii) within the Protected Territory; (iii) within a radius of 20 miles of the perimeter of the Protected Territory granted hereunder; or (iv) within a radius of 20 miles of the perimeter of any other protected territory licensed by Franchisor to any third party or any Studio that is in operation or under development, as of the date of expiration, transfer or termination of this Franchise Agreement through the date of Franchisee's involvement in the Competing Business;

G. *Supplier Usage.* Contact any of Franchisor's suppliers or vendors for any competitive business purpose.

**13.3 <u>Acknowledgement.</u>** The parties acknowledge and agree that each of the covenants contained herein 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 covenants herein shall be construed as independent of any other covenant or provision of this Franchise Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and each of Franchisee's owners, principals, members, or partners expressly agree 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.

A. Franchisee understands and acknowledges that Franchisor has to reduce the scope of any covenant set forth in this Section 13, or any portion thereof, without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee further agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding any other provision of this Section.

B. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Franchise Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

C. Sections 13.2(A) and 13.2(B) of this Franchise Agreement shall not apply to ownership of less than a 5% beneficial interest in the outstanding equity securities of any publicly-held corporation.

**13.4 <u>Non-Compete Agreements from Certain Personnel.</u>** Franchisee shall require and obtain execution of covenants similar to those set forth in this Section 13 (including covenants applicable upon the termination of a person's employment with Franchisee) from its Designated Manager (if permitted by Franchisor) and all other personnel of Franchisee who have received or will have access to training from Franchisor. Such covenants shall be substantially in the form set forth in the franchise disclosure document. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in the agreement attached to the franchise disclosure document, or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section.

**13.5 Enforcement.** Franchisee acknowledges that any failure to comply with the requirements of this Section shall constitute a material event of default under this Franchise Agreement. Franchisee further acknowledges that a violation of the terms of this Section 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee (or other restricted parties) in violation of the terms of this Section. Franchisee must pay all court costs and reasonable attorney fees incurred by Franchisor in connection with the enforcement of this Section 13, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

## 14. TERMINATION

**14.1 Automatic Termination.** This Franchise Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

A. *Voluntary Bankruptcy.* If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

B. *Involuntary Bankruptcy.* If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within 60 days.

C. *Unauthorized Transfer.* Franchisee purports to sell, transfer or otherwise dispose of Franchise or any interest in the franchise business in violation of Section 16 hereof.

**14.2 With Notice and Without Opportunity to Cure.** Franchisor has the right to terminate this Franchise Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

A. *Criminal Acts.* If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or other offense related to the operation of the Franchised Business or that Franchisor believes, in its sole discretion, is likely to have an adverse effect on the Proprietary Marks or the goodwill associated therewith.

B. *Fraud.* If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of the Franchised Business, including but not limited to, any misrepresentation made in Franchisee's franchise application.

C. *Other Actions.* If Franchisee or Franchisee's principals, including any shareholder, guarantors or agents, engage in activity or conduct which materially impairs that goodwill associated with the System or the Proprietary Marks and fails to cease and correct such activities or conduct within twenty-four (24) hours of Franchisee's receipt of written notice of a breach under this Section.

D. *Misrepresentation.* If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation.

E. *Failure to Complete Training or Attend Annual Retreat.* If Franchisee fails to: (a) complete, and cause all required employees to complete, the Initial Training Program; or (b) attend the entire Annual Retreat as required under this Franchise Agreement, unless excused by prior written consent of Franchisor.

F. *Repeated Breaches.* If Franchisor sends Franchisee three or more written notices to cure pursuant to Sections 14.3 or 14.4 hereof in any 12-month period, regardless of whether the defaults set forth in the notices were subsequently cured.

G. *Breach of Other Agreements.* If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's Affiliates, or threaten any material breach of any such agreement, or any lease for the Authorized Location, and fails to cure such breach within any permitted period for cure.

H. *Misuse of the Proprietary Marks or Confidential Information*. If Franchisee or Franchisee's principals violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information.

I. *Violation of Law.* If Franchisee violates any law, ordinance or regulation in the operation of the Franchised Business, including the leasing of any space to a third party at the Authorized Location, or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public.

J. *Violation of In-term Restrictive Covenant.* If Franchisee violates the in-term restrictive covenant contained in Section 13.3(A) or any of the other restrictive covenants set forth in this Franchise Agreement.

K. *Liens.* If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within 30 days.

L. *Insolvency*. If Franchisee or any of Franchisee's principals become insolvent.

M. *Abandonment.* If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the franchisee business in accordance with the terms of this Franchise Agreement and shall apply in any event Franchisee fails to: (i) operate the Franchised Business and actively lease portions of the facility at the Authorized Location for a period of five or more consecutive days without Franchisor's prior written approval; (ii) submit the required Gross Revenues Reports for three consecutive reporting periods.

N. *Unauthorized Products or Services.* If Franchisee offers any unauthorized and unapproved products or services at or from the Franchised Business.

O. *Unapproved Purchases.* Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier or which Franchisor has not approved.

P. *Proprietary Software.* Franchisee misuses or makes unauthorized use of any Proprietary Software Franchisor may develop for use in connection with the System.

Q. *Insurance.* Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fail to adhere to the insurance requirements under this Franchise Agreement and the Manual.

R. *Government Regulations.* Franchisee fails, 15 calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

S. *Government Actions.* Any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

T. *Personal Use of Franchised Business Property*. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits.

U. *Insufficient Funds.* If there are insufficient funds in the bank account(s) Franchisee authorized Franchisor to make withdrawals from in connection with paying the required amounts under this Franchise Agreement three or more times within any 12 month period.

**14.3 Upon 15 Days' Notice to Cure.** Franchisor has the right to terminate this Franchise Agreement if any of the following defaults remains uncured after Franchisor provides Franchisee with notice of such default(s) and 15 days to cure:

A. *Nonpayment.* If Franchisee fails to pay Franchisor as and when due any sums owed to Franchisor, any of Franchisor's Affiliates, or any of Franchisor's system suppliers or vendors.

B. *Endorsement of Checks.* Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

C. *Failure to Maintain Sufficient Inventory Level*. If Franchisee fails to maintain sufficient levels of inventory to adequately meet consumer demand.

D. *Failure to Secure Authorized Location or Open the Franchised Business.* If Franchisee fails to secure an Authorized Location or commence operations of Franchisee's Franchised Business within the time prescribed in this Franchise Agreement.

E. *Interruption of Service.* If Franchisee fails to maintain the prescribed months, days or hours of operation at the Franchised Business, unless such failure constitutes abandonment under Section 14.2.13 of this Franchise Agreement.

F. *Failure to Personally Supervise Franchised Business Operations or Employ Adequate Personnel.* If Franchisee or Franchisee's Designated Manager fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

G. *Quality Control.* If Franchisee fails to maintain the strict quality controls reasonably required by this Franchise Agreement and/or the Manual.

H. *Licenses and Permits.* Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.

**14.4 Upon 30 Days' Notice to Cure.** Franchisor has the right to terminate this Franchise Agreement if Franchisee fails to perform or comply with any other term or condition of this Franchise Agreement, or any ancillary agreements between Franchisee and Franchisor or Franchisor's Affiliates, if Franchisee fails to cure such default(s) within 30 days after being provided with notice thereof.

**14.5 Step In Rights.** In addition to Franchisor's right to terminate this Franchise Agreement, and not in lieu of such right, or any other rights, Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter (or direct its designee to enter) upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines, in Franchisor's sole discretion that the default has been cured, and Franchisee is otherwise in compliance with this Franchise Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of the Franchised Business including, without limitations, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s), designee(s), and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Franchised Business.

**14.6 Non-waiver.** Franchisor's delay in exercising or failing to exercise any right or remedy under this Franchise Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

**14.7 Cross Default.** If there are now, or hereafter shall be, other franchise agreements in effect between Franchisor and Franchisee, a default by Franchisee under the terms and conditions of this or any other of such agreements, shall at the option of Franchisor, constitute a default under all such agreements.

**14.8 Termination by Franchisee.** Franchisee has no contractual right to terminate this Franchise Agreement for any reason.

## 15. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

**15.1 Franchisee's Obligations.** Upon termination of this Franchise Agreement, regardless of the cause, and upon expiration (without the grant of a successor franchise term) or transfer of this Franchise Agreement, Franchisee must, at Franchisee's cost and expense:

A. Immediately cease all operations of the Franchised Business under this Franchise Agreement;

B. Pay Franchisor immediately all unpaid fees and pay Franchisor, Franchisor's Affiliates, Franchisor's Approved Suppliers and vendors, all other monies owed;

C. Discontinue immediately all uses of the Proprietary Marks;

D. Return the Manual and any other Proprietary Materials and Confidential Information, including without limitation all former and existing clientele and customer leases, agreements, future leasing arrangements that have been made (and corresponding schedules) and all other clientele/customer data and lists, within ten calendar days and immediately and permanently cease use of such information and materials;

E. Franchisee acknowledges that all telephone numbers, facsimile numbers, Social Media websites, Internet addresses and e-mail addresses (collectively "**Identifiers**") used in the operation of the Franchised Business constitute Franchisor's assets, and upon termination or expiration of this Franchise Agreement, Franchisee will take such action within five days to cancel or assign to Franchisor or Franchisor's designee as determined by Franchisor, all of Franchisee's right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at Franchisor's direction. Franchisee agrees to take all action required to cancel all assumed names or equivalent registrations related to Franchisee's use of the Proprietary Marks. Franchisee acknowledges that, Franchisor has the sole rights to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Proprietary Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party to transfer such Identifiers to Franchisor or Franchisor's designee. The telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party may accept such direction by Franchisor pursuant to this Franchise Agreement as conclusive evidence of Franchisor's rights to the Identifiers and Franchisor's authority to direct their transfer.

F. Immediately vacate the Franchised Business premises and, if Franchisor exercised Franchisor's rights pursuant to Franchisor's prescribed form of Collateral Assignment of Lease, arrange for transfer of the lease for the Authorized Location to Franchisor within 15 calendar days of termination or expiration of this Franchise Agreement. In the event Franchisor provides proper notice that it is assuming the lease for the Authorized Location, Franchisee must make sure to pay any outstanding amounts due the landlord in connection with the leasing of the Authorized Location prior to the Franchisor assuming Franchisee's obligations under such lease;

G. Surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as Franchisor directs and all items which are a part of the trade dress of the System no later than 15 calendar days after the termination or expiration of this Franchise Agreement;

H. Cease to hold itself out as Franchisor's franchisee immediately;

I. Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 15 calendar days after the termination, expiration or transfer of this Franchise Agreement;

J. Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within one month of the effective date of termination, expiration, or transfer;

K. Comply with the post-termination covenants set forth in Section 14 hereof, all of which shall survive the transfer, termination or expiration of this Franchise Agreement;

L. Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System; and

M. Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 15.

**15.2 Option to Purchase Personal Property.** Upon the termination or expiration of this Franchise Agreement, Franchisor, or Franchisor's designee, shall also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Franchised Business by providing Franchisee written notice of Franchisor's election within 60 calendar days after such termination or expiration and paying Franchisee the fair value for such personal property within 60 calendar days of such notice. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor and an average of the two appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Proprietary Marks and business system licensed to Franchisee. Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Franchise Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations, and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

**15.3 Exclusions.** Franchisor may exclude any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the operation of the Franchised Business, or that Franchisor has not approved as meeting standards for the Franchised Business, from the personal property purchased under 15.2.

**15.4 Damages, Costs, and Expenses.** In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages (including without limitation consequential damages and Franchisor's opportunity costs), costs and expenses, including reasonable attorney fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

## 16. SALE OR TRANSFER

**16.1 Transfer.** Franchisee's rights under this Franchise Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the franchise business without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Franchise Agreement to termination as specified herein.

**16.2 Death or Disability.**

A. *Representative's Right to Continue as Franchisee*. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, shall have the right to continue the operation of the Franchised Business as franchisee under this Franchise Agreement if: (i) within 90 days from the date of death, disability or incapacity ("**90 Day Period**"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of this Franchise Agreement, or has furnished a personal guaranty of any entity for franchisee's obligations to Franchisor and Franchisor's Affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Franchise Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

B. *Franchised Business Operation During and After 90 Day Period.* Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously-approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any Affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Franchised Business.

**16.3 Ownership Changes.** A sale, transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning any portion of the Entity will be required to personally guarantee Franchisee's obligations under this Franchise Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 16.4 below.

**16.4 Franchisor's Right of First Refusal.** If Franchisee proposes to transfer either this Franchise Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than an entity as set forth in Section 16.6 below), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a 30 day period, Franchisee shall have a period not to exceed 60 days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 16.5. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer shall be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

**16.5** **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the franchise business or of Franchisee's interest in this Franchise Agreement upon satisfaction of the following occurrences:

A. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's Affiliates, and Franchisor's Approved Suppliers and vendors, are satisfied;

B. Franchisee must cure all existing defaults under this Franchise Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's Affiliates, and Franchisor's Approved Suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

C. Franchisee, Franchisee's principals (if Franchisee is an entity), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's Affiliates) must execute a general release under seal, in a form satisfactory to Franchisor (such as **Exhibit F-1** to the franchise disclosure document), of any and all claims against Franchisor and Franchisor's Affiliates and officers, directors, shareholders, and employees, in their corporate and individual capacities; provided, however, the release shall not be inconsistent with any applicable state statute regulating franchising;

D. Franchisee, Franchisee's principals (if Franchisee is an entity), and the transferee must execute an approval of requested assignment, in a form satisfactory to Franchisor (such as **Exhibit F-5** to the franchise disclosure document);

E. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Franchise Agreement;

F. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Franchise Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of Franchisor;

G. The transferee shall execute Franchisor's then-current franchise agreement for the unexpired term of this Franchise Agreement;

H. Franchisee or transferee shall pay Franchisor a transfer fee up to Ten Thousand Dollars ($10,000) as designated by Franchisor, plus any third party broker fees or other forms of compensation due to third parties and related to the transfer;

I. The transferee shall satisfactorily complete Franchisor's training program within the time frame Franchisor sets forth and with all expenses incurred in connection with attending and completing such training to be borne solely by the transferee;

J. Franchisee (and Franchisee's principals if Franchisee is an entity), and the members of their respective families must comply with the post-termination provisions of this Franchise Agreement;

K. The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

L. To the extent required by the terms of any leases or other agreements, the lessor or other parties must have consented to the proposed transfer;

M. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

N. The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;

O. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document;

P. Franchisor's approval of the transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party;

Q. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and the Franchised Business as Franchisee has supplied Franchisor hereunder; and

R. In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

**16.6 Transfer to a Corporation or Limited Liability Company.** If Franchisee is an individual and desires to assign its rights under this Franchise Agreement to an entity, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 16.5(H), and such assignment will not be subject to Franchisor's right of first refusal in Section 16.4, provided:

A. The entity is newly organized and its activities are confined to operating the Franchised Business;

B. Franchisee is, and at all times remains, the owner of fifty-one (51%) or more of the interest in the entity;

C. The entity agrees in writing to assume all of Franchisee's obligations hereunder;

D. All stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the entity all its obligations to Franchisor and Franchisor's Affiliates, under this Franchise Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates and execute the Owners Agreement attached to this Franchise Agreement as **Attachment B**;

E. The articles of incorporation and bylaws of the corporation, or the operating agreement or other governing document of the limited liability company, shall reflect this Franchise Agreement and all other agreements Franchisor specifies, and the transferee must submit to Franchisor such documents relating to the entity as Franchisor may require;

F. No shares in the transferee entity may be issued or transferred without the written consent of Franchisor;

G. No changes to the entity's governing documents may be made without the express written consent of Franchisor;

H. No shares may be pledged as collateral for any entity obligations without the express written consent of Franchisor; and

I. Corporate or limited liability company books and records, including minutes of meetings, must be furnished to Franchisor upon request.

**16.7 Franchisor's Right to Transfer.** Franchisor has the unlimited right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Franchise Agreement at any time for any reason or no reason.

## 17. DISPUTE RESOLUTION

**17.1 Choice of Law.** This Franchise Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to its conflict of laws principals.

**17.2 Informal Dispute Resolution** Except as specifically provided in this Franchise Agreement, and before initiating any mediation or arbitration proceeding for any dispute arising under or relating to this Franchise Agreement, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's receipt of the notice, one of Franchisor's officers or managers will meet with Franchisee or one of Franchisee's owners, officers or managers at Franchisor's principal place of business, other mutually agreeable location, or by telephone, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate formal dispute resolution as described in Section 17.3. This Section 17.2 shall not apply to a controversy, dispute or claim concerning an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor's federally protected intellectual property rights in the Proprietary Marks, the System, or in any of Franchisor's Trade Secrets or Confidential Information; (b) any claims pertaining to or arising out of any warranty issued; or (c) any of the restrictive covenants contained in this Franchise Agreement.

**17.3 Formal Dispute Resolution** *Mediation*. Except as specifically provided in this Franchise Agreement, following completion of the Informal Dispute Resolution process set forth in Section 17.2, all claims or disputes between the parties arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to mediation prior to a hearing in binding arbitration or a trial court proceeding. Such mediation shall take place in Denver, Colorado (or Franchisor's then-current headquarters) in accordance with the Mediation Rules of the American Arbitration Association ("**AAA**") then in effect. Franchisee may not commence any action against Franchisor with respect to any such claim or dispute in any court or arbitration hearing unless 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. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. Franchisor reserves the right to specifically enforce its right to mediation. Prior to mediation and before commencing any legal action against Franchisor with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies in detail, the precise nature and grounds of such claim or dispute.

A. *Arbitration*. Except as specifically provided in this Franchise Agreement, the parties agree that any and all disputes between them, and any claim by either party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the commercial arbitration rules of AAA. At the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Franchise Agreement. Each party shall bear one-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in Denver, Colorado, or, if Franchisor's principal place of business is at another location at the time that arbitration is sought, in the city of Franchisor's then principal place of business.

B. *Claims Excluded*. Franchisor will not be required to initiate the informal dispute resolution process, arbitrate or first attempt to mediate a controversy, dispute or claim against Franchisee through arbitration or mediation as set forth in this Section 17 if such controversy, dispute or claim concerns an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor's rights in the Proprietary Marks, the System, or in any of Franchisor's trade secrets, Intellectual Property, or Confidential Information; (b) any claims pertaining to Franchisor's non-monetary post-termination obligations; or (c) any of the restrictive covenants contained in this Franchise Agreement. Nothing in this Franchise Agreement bars Franchisor or Franchisee from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Franchise Agreement pending arbitration or mediation of the dispute, if applicable.

C. *Injunctive Relief*. Franchisee acknowledges that a breach of this Franchise Agreement by Franchisee which relates to any of the matters set out below, will cause Franchisor irreparable harm, for which monetary damages are an inadequate remedy. Therefore, in addition to any other remedies Franchisor has under this Franchise Agreement, Franchisor is entitled to seek and obtain from a court of law the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Franchise Agreement with respect to: (i) the Proprietary Marks; (ii) the System; (iii) intellectual property; (iv) Franchisee's obligations upon termination or expiration of this Franchise Agreement; (v) transfers; (vi) Confidential Information; and (vii) any act or omission by Franchisor or Franchisee's employees that: (a) constitutes a violation of any legal requirement; (b) is dishonest or misleading to customers of the Franchised Business; (c) constitutes a danger to the employees or customers of the Franchised Business or to the public; or (d) may impair the goodwill associated with the Proprietary Marks or the System. Neither party is required to post a bond or other security with respect to obtaining injunctive relief. If Franchisor secures any such injunction, Franchisee agrees to pay Franchisor an amount equal to the aggregate of its costs and expenses, including without limitation reasonable attorney fees, costs, and expenses, Franchisor incurred in obtaining such relief.

**17.4 <u>WAIVER OF PUNITIVE DAMAGES.</u>** FRANCHISOR AND FRANCHISEE HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM

FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE), WITH THE EXCEPTION OF TRADEMARK LAW TREBLE DAMAGES.

**17.5** **JURY TRIAL WAIVER.** 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 FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OR ITS AFFILIATES AND/OR ANY GOODS OR SERVICES OBTAINED FROM FRANCHISOR OR ITS AFFILIATES.

**17.6** **WAIVER OF CLASS OR GROUP ACTION.** ANY DISAGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE (AND/OR THEIR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND CANNOT BE BROUGHT AS A CLASS ACTION OR CLASS ARBITRATION. FRANCHISEE WAIVES ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND FRANCHISOR'S AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, A CLASS ARBITRATION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

**17.7** **Selection of Venue.** With respect to any claims not subject to arbitration as set forth in Section 17.3, the parties agree that any actions arising out of or related to this Franchise Agreement must be initiated and litigated in the state court of general jurisdiction closest to Denver, Colorado or, if appropriate, the United States District Court for the District of Colorado. Franchisee acknowledges that this Franchise Agreement has been entered into in the State of Colorado, and that Franchisee is to receive valuable and continuing services, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Colorado as set forth in this Section.

**17.8** **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Franchise Agreement, including the mediation provision set forth in this Section 17, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

**17.9** **No Right to Offset.** 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 Franchise Agreement or any related agreements.

**17.10** **Limitation of Action.** Franchisee further agrees that no cause of action arising out of or under this Franchise Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one 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 Franchise Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this

Franchise 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.

## 18. MISCELLANEOUS PROVISIONS

**18.1 Franchisor's Exercise of Business Judgment.** Franchisee acknowledges and agrees that the long-term interests of the System, franchised Studios, and the Franchisor and its owners, taken together, require that Franchisor has the latitude to make business decisions ("Business Judgment") with respect to the franchise System. The ultimate responsibility to exercise Business Judgment to make decisions with respect to the System and the System Standards is vested in Franchisor because Franchisor, Franchisee and all RockSalt Pilates franchisees have a collective interest in working within a franchise system that can quickly adjust to changing business conditions, including changes in the competitive environment, new laws and regulations, and emerging business opportunities. Franchisor has this right even if, at times, a particular decision adversely affects Franchisee. Franchisee further acknowledges and agrees Franchisor will not be required to consider Franchisee's particular economic or other circumstances or to disregard Franchisor's own economic or other business interest when making decisions under this Franchise Agreement.

**18.2 Independent Contractor Status.** Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Franchised Business, and neither party to this Franchise Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, that Franchisee operates Franchisee's Franchised Business as an independently owned and operated franchised business. Nothing in this Franchise Agreement authorizes Franchisee 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 Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisee and Franchisor will each file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and worker's compensation payments with respect to its respective employees and operations, and will save and indemnify the other of and from any liability of any nature whatsoever by virtue thereof.

**18.3 Responsibility of Management.** Franchisee agrees that Franchisor has entered into this Franchise Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business and that the amount of profit or loss resulting from the operation of the business will be directly attributable to the performance of the Franchisee.

**18.4 Indemnification.** Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's Affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnities") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of Franchisee's Franchised Business, including the condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business and Franchisee's advertising, as well as all leasing activities at the Authorized Location or otherwise through the Franchised Business, as well as Franchisee's employment or other contractual relationship with Franchisees employees, workers managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees; (ii) the unauthorized use of the Proprietary Marks and other Proprietary Material; (iii) the transfer of any interest in this Franchise Agreement, Franchisee or the Franchised Business in any manner not in accordance with this Franchise Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "Claims" shall mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor shall have the right to defend any such claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement.

**18.5** **Entire Agreement.** This Franchise Agreement contains the entire agreement of the parties. There are no representations either oral or written, except those contained in this Franchise Agreement. This written Franchise Agreement includes all representations between the parties. This Franchise Agreement may not be modified except by a written document signed by both parties. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document furnished to Franchisee.

**18.6** **Construction of Language.** The language of this Franchise Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Franchise Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means Franchisee's spouse, parents, children and siblings and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "principals" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "Franchisor" and "Franchisee" include the party's successors, assigns or transferees. The parties have had a reasonable opportunity to review this Franchise Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Franchise Agreement shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Franchise Agreement.

**18.7** **Severability.** If any provision of this Franchise Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Franchise Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Franchise Agreement relating to payments to Franchisor or any of its Affiliates or protection of the Proprietary Marks or the Confidential Information, including the Manual and Franchisor's other Trade Secrets, is declared invalid or unenforceable, then Franchisor at Franchisor's option may terminate this Franchise Agreement immediately upon written notice to Franchisee.

**18.8** **State Law Applies.** If any provision of this Franchise Agreement, including but not limited to its provisions for transfer, successor franchise term, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which the Franchised Business is located, then the valid law or regulation of that state applicable to the franchise shall supersede any provision of this Franchise Agreement that is less favorable to Franchisee.

**18.9** **Additional Documentation.** Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

**18.10** **Force Majeure.** Neither party to this Franchise Agreement will be liable for loss or damage or deemed to be in breach of this Franchise Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable.

**18.11** **Attorney Fees.** If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Franchise Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's Affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorney fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Franchise Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorney fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**18.12** **Notices.** All notices required or permitted under this Franchise Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by registered mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on the Data Sheet or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Franchise Agreement shall be sent to the parties as follows:

Franchisor: RockSalt Pilates Franchise, LLC
Attention: Peter Belesis
P.O. Box 1474
San Mateo, CA 94401

Franchisee: The notice address listed in **Data Sheet** to this Franchise Agreement

**18.13** **<u>Owners Agreement and Assumption of Obligations.</u>** If franchisee is a corporation, or if subsequent to execution hereof Franchisee assigns this Franchise Agreement to a corporation, all shareholders owning any of Franchisee's outstanding shares and their spouses (or if Franchisee is a partnership, or subsequent to execution hereof if Franchisee assigns this Franchise Agreement to a partnership, all general partners and their spouses, or if Franchisee is a limited liability company, or subsequent to execution hereof if Franchisee assigns this Franchise Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Franchise Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration (without a successor franchise term) of this Franchise Agreement as if each were an original party to this Franchise Agreement in his or her individual capacity. Such persons must execute Franchisor's prescribed form of Owners Agreement attached hereto as Attachment B contemporaneously with the execution of this Franchise Agreement.

**18.14** **<u>Approvals.</u>** Whenever this Franchise Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Franchise Agreement, or by reason of any neglect, delay or denial of any request therefore.

**18.15** **<u>Withholding Payments.</u>** Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its Affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Franchise Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

**18.16** **<u>Further Assurances.</u>** Each party to this Franchise Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Franchise Agreement.

**18.17** **<u>Independent Investigation.</u>** Franchisee acknowledges that Franchisee has conducted an independent investigation of the Franchised Business contemplated by this Franchise Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon Franchisee's business abilities and efforts. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Franchise Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Franchise Agreement reviewed by an attorney.

**18.18 No Guarantee of Earnings.** Franchisee understands that Franchisor and any of Franchisor's representatives and/or agents with whom Franchisee has met have not made and are not making any guarantees as to the extent of Franchisee's success in Franchisee's Franchised Business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Franchisee's Franchised Business.

**18.19 Receipt of Franchise Disclosure Document.** Franchisee acknowledges that this Franchise Agreement and Franchisor's franchise disclosure document have been in Franchisee's possession for at least 14 calendar days before Franchisee signed this Franchise Agreement or paid any monies to Franchisor or an Affiliate and that any material changes to this Franchise Agreement were in writing in this Franchise Agreement for at least seven calendar days before Franchisee signed this Franchise Agreement.

**18.20 No Personal Liability.** Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Franchise 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 Franchise 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 Franchise Agreement. This is an important part of this Franchise Agreement. Do not sign this Franchise Agreement if there is any question concerning its contents or any representations made.

**18.21 Terms of Other Franchises May Differ.** Franchisee acknowledges that other franchisees of Franchisor have or will be granted franchises at different times and in different situations, and further acknowledges that the terms and conditions of such franchises and the resulting franchise agreements may vary substantially in economics, form and in substance from those contained in this Franchise Agreement.

**18.22 No Violation of Other Agreements.** Franchisee represents that its execution of this Franchise Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS FRANCHISE AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

| FRANCHISOR | FRANCHISEE |
|---|---|
| **ROCKSALT PILATES FRANCHISE, LLC** | ______________________________________ |
| By: ____________________________________ | By: ____________________________________ |
| Name: __________________________________ | Name: __________________________________ |
| Title:__________________________________ | Title:__________________________________ |
| | **PERSONAL GUARANTORS** |
| | By: ____________________________________ |
| | Name: __________________________________ |

**ATTACHMENT A TO THE FRANCHISE AGREEMENT**
**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. Franchise Owner. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: ______________________________________________________________

2. Authorized Location. Pursuant to Section 2.2 of the Franchise Agreement, the Authorized Location shall be the following address:

   ______________________________________________________________________________

3. Protected Territory. Pursuant to Section 2.3 of the Franchise Agreement, the Protected Territory shall be described as follows:

   ______________________________________________________________________________

4. Franchise Fee. Pursuant to Section 3.1 of the Franchise Agreement, Franchisee shall pay to Franchisor an Initial Franchise Fee equal to $50,000 plus, if applicable, all federal, state or municipal taxes due and payable at the time of execution of the Franchise Agreement.

5. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

   Name: ____________________________________

   Daytime Telephone No.:_________________________

   Evening Telephone No.:_________________________

   Cellular Telephone No.:_________________________

   Facsimile No.:________________________________

   E-mail Address:_______________________________

6. Effective Date. The Effective Date set forth in the introductory paragraph of the Franchise Agreement is: _______________________________.

7. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, managers, officers, and/or partners of Franchisee and the percentage interest of each individual:

| Name | Position/Title | Interest (%) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

8. Notice Address. The address for all notices to be sent to Franchisee under Section 18.12 of the Franchise Agreement is: ___________________________

**[signature page follows]**

IN WITNESS WHEREOF, the undersigned has duly executed this Attachment to the Franchise Agreement on this __________________________.

**FRANCHISEE**

____________________________________

By: _________________________________

Name:_______________________________

Title:________________________________

**OWNERS (SHAREHOLDERS/MEMBERS/PARTNERS/ETC.)**

By: _________________________________

Name:_______________________________

By: _________________________________

Name:_______________________________

By: _________________________________

Name:_______________________________

By: _________________________________

Name:_______________________________

**ATTACHMENT B TO THE FRANCHISE AGREEMENT**

**OWNERS AGREEMENT**

As a condition to the granting by RockSalt Pilates Franchise, LLC ("**we**" or "**us**") of a Franchise Agreement with _________________________ ("**Franchisee**"), each of the undersigned individuals ("**Owners**"), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement ("**Owners Agreement**").

## 1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of _____ ____ ("**Franchise Agreement**"). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners' Role. Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee's obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee's owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

## 2. Non-Disclosure and Protection of Confidential Information.

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee's non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

## 3. Covenant Not To Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree 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 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

**4. Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

**5. Transfers.**

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

**6. Notices.**

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

RockSalt Pilates Franchise, LLC
Attention: Peter Belesis
P.O. Box 1474
San Mateo, CA 94401

The current address of each Owner for all communications under this Owners Agreement is designated on **Attachment A** to the Franchise Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

**7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

**8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to "**Franchisor**" or "**the undersigned**," or "**you**" include the respective parties' heirs, successors, assigns or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

**Signatures on following page**

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

________________________________

________________________________
[Insert Name of Owner]

________________________________

________________________________
[Insert Name of Spouse]

________________________________

________________________________
[Insert Name of Owner]

________________________________

________________________________
[Insert Name of Spouse]

## ATTACHMENT C TO THE FRANCHISE AGREEMENT

## ROCKSALT PILATES FRANCHISE, LLC
## FORM OF LEASE ADDENDUM

### LEASE ADDENDUM

This Addendum to Lease ("**Addendum**"), dated _________________, is entered into by and between __________________ ("**Lessor**"), and __________________ ("**Lessee**"). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement ("**Lease**"), dated _________________, and pertaining to the premises located at _______________________ _____________________________ ("**Premises**").

B. Lessor acknowledges that Lessee intends to operate a RockSalt Pilates franchise from the leased Premises pursuant to a Franchise Agreement ("**Franchise Agreement**") with RockSalt Pilates Franchise, LLC ("**Franchisor**") under the name "RockSalt Pilates" or other name designated by Franchisor (herein referred to as "**Franchised Business**").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Designated Use. During the term of the Lease, Lessee shall use the Premises solely for the operation of a Franchised Business that provides Pilates-related services with the requirements of the Franchise Agreement, unless Lessee and Lessor obtain Franchisor's prior written consent to another use.

2. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

3. Assignment or Subletting. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee's possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor's consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment C-1**: (a) to Franchisor or Franchisor's parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee's corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment,

and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge "additional rent" or "percentage rent" or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

4. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

RockSalt Pilates Franchise, LLC
Attention: Peter Belesis
P.O. Box 1474
San Mateo, CA 94401

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's authorization of the Lease (together with this Addendum), Lessor and Lessee agree not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which Franchisor has the right to grant or deny for any reason or no reason, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

5. Termination or Expiration.

(a) Upon Lessee's default of either the Lease or the Franchise Agreement, and Lessee's subsequent failure or refusal to cure the default within the applicable cure period, if any, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisor agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

6. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment C-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee 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 Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

7. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

8. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the operation restaurants serving ice cream and frozen desserts as a primary menu item.

9. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

10. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

11. Casualty and Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days' prior written notice to Lessor.

12. Common Areas-No Changes**.** Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Shopping Center by more than 10%.

13. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Shopping Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

14. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self-insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered from such insurance (or which would have been recovered had the party carried the insurance required to be carried pursuant to the terms of the Lease), including any deductibles under such policies..

15. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Premises and has full right, power and authority to enter into this Lease; (ii) that the Franchised Location is in compliance with the Americans with Disabilities Act ("**ADA**"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Premises and shall maintain throughout the term of this Lease general liability insurance coverage for the Premises consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Premises in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein beyond all applicable notice and cure periods, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor's operation of the Franchised Business, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

16. Lessor Work and Repair. Lessor shall perform all work described in the Lease and **Exhibit __** attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor's provision of utilities to the Premises. Utilities shall be "stubbed" to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations. If Lessor's work is not performed as herein required, or if such work or the Premises is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

17. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

18. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor's prior approval, to grant and assign a mortgage or other security interest in Lessee's interest under this Lease and all of Lessee's personal property located within the Premises to Franchisor or Franchisee's lenders in connection with Lessee's financing arrangements and any lien of Lessor against Lessee's personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee's lenders may reasonably request in connection with any such financing.

19. Closure of Business Operation. Notwithstanding anything in the Lease to the contrary, Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

20. Removal of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section __, whichever later occurs.

21. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

22. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

23. 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 and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

24. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Lease and this Addendum.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

| **LESSOR:** | **LESSEE:** |
|---|---|
| ___________________________ | _______________________________ |
| By: _______________________ | By: ___________________________ |
| Title: _____________________ | Title: _________________________ |

**ATTACHMENT C-1**
**TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of ______________________ ("**Effective Date**"), the undersigned, ________________________________ ("**Assignor**"), hereby assigns, transfers and sets over unto RockSalt Pilates Franchise, LLC ("**Assignee**") all of Assignor's right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** ("**Lease**") with respect to the premises located at ______________________ ("**Premises**"). This Collateral Assignment of Lease ("Assignment") is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement ("**Franchise Agreement**") for a RockSalt Pilates Franchised Business between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any successor terms thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**[Signatures on following page]**

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

____________________________________

By: _________________________________
Its: _________________________________

**ASSIGNEE:**

**ROCKSALT PILATES FRANCHISE, LLC**,
A Colorado limited liability company

By: __________________________________
Its: __________________________________

## ATTACHMENT D TO THE FRANCHISE AGREEMENT

## SAMPLE GENERAL RELEASE AGREEMENT

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "**Release**") is made as of _________________________ by ________________________________________, a(n) ______________________________ ("**Franchisee**"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "**Releasor**") in favor of RockSalt Pilates Franchise, LLC, a Colorado limited liability company ("**Franchisor**," and together with Releasor, the "**Parties**").

**WHEREAS,** Franchisor and Franchisee have entered into a Franchise Agreement ("**Agreement**") pursuant to which Franchisee was granted the right to own and operate a RockSalt Pilates business ("**Franchised Business**");

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

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

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

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

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "**Released Parties**"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to Franchised Business, the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

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

4. Miscellaneous.

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

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

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

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

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

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

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

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

***(Signatures on following page)***

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

**FRANCHISEE:**

_______________________________________________, a

_______________________________________________

By: ___________________________________________

Name: ________________________________________

Its: ___________________________________________

Date __________________________

**FRANCHISEE'S OWNERS:**

_______________________________________________

Signature

_______________________________________________

Typed or Printed Name

# <u>EXHIBIT C</u>

## MULTI-UNIT DEVELOPMENT AGREEMENT

# ROCKSALT PILATES FRANCHISE, LLC

## MULTI-UNIT DEVELOPMENT AGREEMENT

**Multi-Unit Developer:** ___________________________________

**Date:** __________________________________________________

**Territory**: _____________________________________________

## TABLE OF CONTENTS



**ATTACHMENTS:**

**ROCKSALT PILATES FRANCHISE, LLC**
**MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** ("**Development Agreement**") is made and entered into on ____________________, ("**Effective Date**") by and between RockSalt Pilates Franchise, LLC, a Colorado limited liability company ("**Franchisor**"), and ____, a ____ ("**Multi-Unit Developer**").

**WITNESSETH:**

**WHEREAS**, Franchisor holds the exclusive franchise rights to a proprietary system which has been developed through significant expenditures of time, skill, effort and money ("**System**") relating to the establishment and operation of Pilates studios that take the principals of Pilates and infuses classical practice with cardio resistance training, light weights, and upbeat music under certain trademarks, including the "**RockSalt**" registered mark ("**Studio**");

**WHEREAS**, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, and furnishings of a Studio; proprietary services and products that are offered to clientele of a Studio; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

**WHEREAS**, Franchisor, through its dedicated operations, marketing methods, and merchandising policies, has developed the reputation, public image and goodwill of its System and established a firm foundation for its franchised operations consisting of the highest standards of training, management, supervision, appearance, and quality of services and products;

**WHEREAS**, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the "**RockSalt Pilates**" registered trademark and such other trade names, service marks, and trademarks as are now or may in the future be designated for use in connection with the System, whether owned by or licensed to Franchisor (hereinafter referred to as "**Proprietary Marks**");

**WHEREAS**, Franchisor and its Affiliates continue to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of marketed services and products marketed and under the System, and to represent the System's high standards of quality, appearance and service;

**WHEREAS**, Multi-Unit Developer desires to obtain the exclusive right to develop, construct, manage and operate a series of Studios ("**RockSalt Locations**") under the development schedule described in **Attachment B** attached hereto ("**Development Schedule**") and within the territory described in **Attachment A** attached hereto ("**Development Territory**"), under the System and Proprietary Marks, as well as to receive the training and other assistance provided by Franchisor in connection therewith;

**WHEREAS**, the Multi-Unit Developer hereby acknowledges that it has read this Development Agreement and Franchisor's Franchise Disclosure Document ("**Disclosure Document**"), and that it understands and accepts the terms, conditions and covenants contained in this Development Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all Studios which operate pursuant to the System and thereby to protect and preserve the goodwill of the System and the Proprietary Marks; and

**WHEREAS**, Multi-Unit Developer understands and acknowledges the importance of Franchisor's uniformly high standards of quality, cleanliness, appearance, and service ("**System Standards**") and the necessity of operating Studios in strict conformity with Franchisor's quality control standards and specifications.

**NOW, THEREFORE**, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

## 1. GRANT

1.1 Franchisor hereby grants to Multi-Unit Developer the right and license to develop, construct, operate and manage the number of Studios specified on Attachment A in strict accordance with the System and under the Proprietary Marks within the Development Territory described in Attachment A. Each Studio shall be operated according to the terms of the individual franchise agreement ("Franchise Agreement") with respect thereto.

1.2 If the Multi-Unit Developer is developing Studios, and complies with the terms of this Development Agreement, the Development Schedule, and the individual Franchise Agreement for each Studio, then Franchisor will not franchise or license others, nor will it itself directly or indirectly develop, own, lease, construct or operate in any manner, any Studio in the Development Territory during the term hereof; however, Franchisor reserves the right to sell products and services under the Proprietary Marks or any other marks, through any other retail location or through any other channels of distribution, including through mail order, catalogue sales or over the Internet. Franchisor also reserves the right to (a) establish, operate or license to any other person or entity the right to establish or operate a Studio owned or licensed by Franchisor at any location outside the Development Territory; (b) develop, lease and license the use of, at any location inside or outside of the Development Territory, trademarks other than the Proprietary Marks, in connection with the operation of a system which offers products or services which are similar to or different from those offered under the System, on any terms or conditions which Franchisor deems advisable; (c) merge with, or be acquired by any other business, including a business that competes with Studios operated by Multi-Unit Developer, or to acquire and convert to the System operated by Franchisor any business that offers the operation of a Pilates studio and the sale of related products or services operated by competitors, located inside or outside of the Development Territory or otherwise operated independently as part of, or in association with, any other system or chain, whether franchised or corporately owned; and (d) implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere, and to issue mandatory policies to coordinate these multi-area marketing programs. Upon the expiration or termination of this Development Agreement, the Multi-Unit Developer will no longer have an exclusive Development Territory and each Studio will be limited to operating solely at the franchised location ("Franchised Location") described in the individual Franchise Agreement.

1.3 This Development Agreement is not a franchise agreement and Multi-Unit Developer has no right to use in any manner the Proprietary Marks or System by virtue hereof. Each Studio will be governed by the individual Franchise Agreement signed by Franchisor and Multi-Unit Developer for each Studio.

1.4 The Multi-Unit Developer must contribute some amount of its personal capital to the development of each Studio and must own at least a 51% equity interest in each Studio developed hereunder. In addition, Multi-Unit Developer shall ensure that a person ("Designated Business Manager") shall at all times devote his or her full time and attention to managing, supervising, and developing each Studio and that the person is at all times identified to Franchisor. Multi-Unit Developer shall identify all equity owners of Multi-Unit Developer by completing the Statement of Shareholders/Members/Partners attached to this Development Agreement as Attachment D. Multi-Unit Developer shall provide Franchisor with an updated form of Attachment D within 10 business days of any change in the equity ownership of Multi-Unit

Developer. The failure of Multi-Unit Developer to provide Franchisor with an updated Attachment D within the time frame specified in this Section 1.4 shall constitute a material default of this Development Agreement.

## 2. TERM

2.1 Unless sooner terminated pursuant to the provisions of Section 7, the term ("Development Term") of this Development Agreement shall expire upon the earlier of (a) the date set forth on Attachment A, or (b) completion of the term of the Development Schedule.

## 3. FRANCHISE AGREEMENT, INITIAL FRANCHISE FEE, MULTI-UNIT DEVELOPMENT FEE AND INITIAL TRAINING

With respect to each Studio to be developed under this Development Agreement:

3.1 Prior to the date that Multi-Unit Developer begins searching for its second or subsequent RockSalt Location, Multi-Unit Developer must fully execute the then-current form of Franchise Agreement and pay all fees due to Franchisor under such Franchise Agreement. The terms of the individual Franchise Agreement will then govern the further development and build-out of the Studio.

3.2 As soon as Multi-Unit Developer locates a site within the Development Territory that it believes is suitable for construction of a RockSalt Location in accordance with Franchisor's site selection criteria, Multi-Unit Developer shall submit to Franchisor the information about the proposed location including, without limitation, lease terms, land acquisition terms, demographic criteria and preliminary site plans showing building orientation, proposed unit location, parking layout, and certain other information, as Franchisor may require periodically in the Franchisor's operations manual ("**Operations Manual**"). If Multi-Unit Developer proposes that another entity will own and operate the Studio, Multi-Unit Developer must also submit information to Franchisor regarding the proposed franchisee entity. Franchisor reserves the right to request as much additional information regarding the site and the proposed franchisee entity as it deems necessary, in its discretion, and Multi-Unit Developer agrees to provide the information immediately upon request.

3.3 Should Franchisor grant preliminary authorization to proceed with the site location per Section 3.1(a) above, it will give its written authorization to the Multi-Unit Developer to proceed with architectural drawings and final site plans containing the information as Franchisor requires. The preliminary authorization for the site location shall not constitute final authorization of the site for the Studio, or of the entity proposed as franchisee. Upon receipt of the site location authorization, Multi-Unit Developer should make an offer to secure the site via purchase or lease, which offer must be contingent upon final authorization by Franchisor of the site and of the proposed franchisee entity.

3.4Multi-Unit Developer shall pay to Franchisor an Initial Franchise Fee of $50,000 for each Studio to be developed hereunder. For each Studio after the first Studio to be developed as set forth on Attachment A Multi-Unit Developer will pay a development fee ("Multi-Unit Development Fee") of $25,000 multiplied by the number of Studios (not counting the first Studio) set forth on Attachment A. When you open each additional Franchised Businesses under the Agreement, you will be required to sign the then-current Franchise Agreement for each Studio, and pay the remaining balance of the Initial Franchise Fee (or $25,000) (all other fees will apply). By way of example only, if the development schedule on Attachment A is for three Studios, at the time of signing this Agreement, you will pay to the Franchise $50,000 for the first Studio and $25,000 multiplied by two ($50,000) for the remaining two Studios. For Studios two and three, you will pay an additional $25,000 at the time you sign each Franchise Agreement.

3.5 All amounts collected shall be deemed fully earned immediately upon receipt and, except as set forth in the Franchise Agreement signed for a Studio for which a Development Franchise Fee has been paid to Franchisor, shall be non-refundable, regardless of whether Multi-Unit Developer opens any of the Studio it is obligated to open in the Development Territory.

3.6 Franchisor shall provide the Multi-Unit Developer with Franchisor's then-current Initial Training Program and on-site opening assistance for each Studio to be developed hereunder pursuant to the applicable Franchise Agreement.

## 4. DEVELOPMENT SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4.1 Multi-Unit Developer shall exercise the development rights granted under this Development Agreement only by entering into a separate Franchise Agreement with Franchisor for each Studio for which a development right is granted. The Franchise Agreement to be executed for the first Studio to be developed by Multi-Unit Developer under this Agreement shall be executed and delivered, and the Initial Franchise Fee for the first Studio shall be paid, to Franchisor concurrently with the execution and delivery of this Development Agreement. All subsequent Studios developed under this Development Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for a Studio. Multi-Unit Developer acknowledges that the then-current form of Franchise Agreement may differ materially from the form of Franchise Agreement signed by Multi-Unit Developer at the time this Development Agreement is signed and may include materially different economic terms, including, but not limited to, higher royalty rates and advertising contributions.

4.2 Development Schedule.

(a) Acknowledging that time is of the essence, Multi-Unit Developer agrees to exercise its development rights according to Section 3.1 and according to the Development Schedule set forth on **Attachment B**, which schedule designates the number of Studios in the Development Territory to be established and in operation by Multi-Unit Developer upon the expiration of each of the designated development periods ("**Development Deadline**").

(b) Multi-Unit Developer may, with Franchisor's prior written consent, develop more than the number of Studios that Multi-Unit Developer is required to develop. Any Studios developed before a Development Deadline in excess of the minimum number of Studios required to be developed upon expiration of that Development Deadline shall be applied to satisfy Multi-Unit Developer's development obligation during the next succeeding year. Multi-Unit Developer has no right to open more than the cumulative total number of Studios Multi-Unit Developer is obligated to develop under this Development Agreement, as set forth above in the Development Schedule; provided, however, that Multi-Unit Developer may be permitted to open Studios in excess of the number permitted by the Development Schedule if, in Franchisor's discretion, Franchisor determines that the Development Territory can support additional Studios and Multi-Unit Developer receives Franchisor's advanced written permission to develop more Studios. Multi-Unit Developer shall pay Franchisor the then-current Initial Franchise Fee applicable at the time Multi-Unit Developer signs a Franchise Agreement for any additional Studios.

(c) If during the term of this Development Agreement, Multi-Unit Developer ceases to operate any Studio developed under this Development Agreement for any reason, Multi-Unit Developer shall develop a replacement Studio to fulfill Multi-Unit Developer's obligation to have open and in operation the required number of Studios upon the expiration of each Development Period. The replacement Studio shall be developed within a reasonable time to be agreed upon by the parties after Multi-Unit Developer ceases to operate the Studio to be replaced. If during the term of this Agreement, Multi-Unit

Developer, in accordance with the terms of any Franchise Agreement for a Studio developed under this Development Agreement, transfers its interest in such Studio, the transferred Studio shall continue to be counted in determining whether Multi-Unit Developer has complied with the Development Schedule so long as it continues to be operated as a Studio. If the transferred Studio ceases to be operated as a Studio during the term of this Development Agreement, Multi-Unit Developer shall develop a replacement Studio within a reasonable time, not to exceed twelve months, after the transferred Studio ceases to be operated as a Studio. In either case, the reasonable time period shall apply to the development of the replacement Studio only and, in Franchisor's discretion, extend the term of the applicable Development Deadline to the end of the mutually agreed upon time period; provided that in no event shall such time period exceed one year.

(d) Opening Schedule.

(i) Multi-Unit Developer shall open each RockSalt Location and shall commence business in accordance with the Development Schedule set forth on **Attachment B**, unless, subject to Franchisor's approval, Multi-Unit Developer obtains an extension of the Development Deadline in writing from Franchisor to complete construction and commence operation of a particular Studio. Each extension shall be for an additional 30-day period commencing upon the expiration of the applicable Development Deadline, including any previous extensions thereof ("**Extension Date**"). No more than two extensions of any Development Deadline will be permitted. If an extension of a Development Deadline is granted by Franchisor, the Opening Date for the Studio (as defined in the Franchise Agreement) shall be extended to the Extension Date. No extension of any Development Deadline shall affect the duration of any other Development Deadline or any of Multi-Unit Developer's other development obligations. If an extension is requested in the final Development Deadline, the term of this Agreement shall be extended to the Extension Date, and thereafter Multi-Unit Developer shall have no further rights under this Agreement except as provided in Section 2. The provisions of this Section 4.2(d)(i) do not apply to the development of a replacement Studio under Section 3.2(c).

(ii) Multi-Unit Developer shall notify Franchisor in writing at least 90 days prior to the Development Deadline for a RockSalt Location if Multi-Unit Developer will be unable to complete construction and commence operation of the Studio by the Development Deadline. In such notice Multi-Unit Developer shall request that the Franchisor consider its request for an extension and shall include a description of the reasons for its failure to develop the Studio in a timely manner and the expected date of completion of construction and opening, if the extension were to be granted, along with payment of the Extension Fee if required.

(e) Failure by Multi-Unit Developer to adhere to the Development Schedule (including any extensions authorized by Franchisor) or to adhere to any time period for the development of replacement Studio as set forth in Section 4.2(c) shall constitute a material event of default under this Development Agreement.

4.3 Multi-Unit Developer shall execute a Franchise Agreement for each Studio prior to the Multi-Unit Developer begins searching for its second or subsequent RockSalt Location.

## 5. LOCATION OF ROCKSALT LOCATIONS

5.1 The location of each RockSalt Location shall be selected by the Multi-Unit Developer in accordance with the terms set forth in each Franchise Agreement signed by Multi-Unit Developer, within the Development Territory, subject to Franchisor's prior authorization as set forth in Section 3 hereof, which authorization shall take into account all relevant demographic information then available to Franchisor. The establishment of any proposed site by Multi-Unit Developer before approval of Franchisor shall be the sole risk and responsibility of Multi-Unit Developer and shall not obligate Franchisor in any way to authorize the same. The authorization of a proposed site by Franchisor does not in any way constitute a warranty or representation by Franchisor as to the suitability of the site for location of a RockSalt Location.

## 6. FRANCHISE AGREEMENT

6.1 Multi-Unit Developer shall not commence construction on, or open any RockSalt Location until, among other things, the entire Initial Franchise Fee or Development Franchise Fee (as applicable) for said Studio has been paid in full and the individual Franchise Agreement for said Studio has been signed by both the Multi-Unit Developer and Franchisor.

## 7. DEFAULT AND TERMINATION

7.1 Multi-Unit Developer shall be in default under this Development Agreement should Multi-Unit Developer (or its affiliate): (a) fail to comply with the Development Schedule; (b) fail to perform any of its obligations under this Development Agreement; (c) cease to be a franchisee of Franchisor in good standing; or (d) fail to comply with the provisions on transfer contained herein.

7.2 Upon the default, Franchisor shall have the right, at its option, and in its discretion, to do any or all of the following:

(a) terminate this Development Agreement;

(b) terminate the territorial exclusivity granted to Multi-Unit Developer; or

(c) reduce the size of the Multi-Unit Developer’s Development Territory or the number of Studio Multi-Unit Developer may develop in the Development Territory.

7.3 Upon termination or expiration of the term of this Development Agreement, this Development Agreement shall be of no further effect, and Franchisor shall have the right to itself open, or license others to open, Studios within the Development Territory.

## 8. ASSIGNMENT

8.1 Franchisor shall have the absolute right to transfer or assign all or any part of its rights or obligations hereunder to any person or legal entity which assumes its obligation under this Development Agreement and Franchisor shall thereby be released from any and all further liability to Multi-Unit Developer.

8.2 By Multi-Unit Developer.

(a) Multi-Unit Developer understands and acknowledges that the rights and duties set forth in this Development Agreement are personal to Multi-Unit Developer and are granted in reliance upon the personal qualifications of Multi-Unit Developer or Multi-Unit Developer’s principals. Multi-Unit Developer has represented to Franchisor that Multi-Unit Developer is entering into this Development Agreement with the intention of complying with its terms and conditions and not for the purpose of transferring the development and option rights hereunder.

(b) Neither Multi-Unit Developer nor any partner, member, or shareholder thereof shall, without Franchisor’s prior written consent, directly or indirectly assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Development Agreement or in Multi-Unit Developer.

Any proposed assignment occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent, shall be a material default of this Development Agreement.

(c) Any assignment, transfer or other disposition by the Multi-Unit Developer of a single-unit Studio within the Development Territory will be governed by the Franchise Agreement to which the single-unit Studio is bound.

(d) Subject to the other provisions of Section 8 herein, including Section 8.2(c) above and Section 8.2(e) below, if Multi-Unit Developer wishes to sell, transfer or otherwise assign any portion, or all, of the Development Territory, the Multi-Unit Developer shall notify Franchisor, which may authorize or disallow the same in its discretion, and in addition Franchisor may require any or all of the following as conditions of its approval:

(i) All of the Multi-Unit Developer's accrued monetary obligations and all other outstanding obligations to Franchisor, its affiliates and suppliers must be fully paid and satisfied;

(ii) The Multi-Unit Developer must not be in default of any provision of its Franchise Agreements, any amendments thereof or successors thereto, or any other agreement between the Multi-Unit Developer and Franchisor, its subsidiaries or affiliates;

(iii) The Multi-Unit Developer and each of its affiliates, shareholders, members, partners, officers and directors must sign a general release, the consideration for which shall be the approval of the transfer, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

(iv) The transferee must enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the Multi-Unit Developer's obligations under this Development Agreement and the relevant Franchise Agreements and, if deemed necessary by Franchisor, the transferee's principals, individually, shall guarantee the performance of all these obligations in writing in a form satisfactory to Franchisor;

(v) The transferee must demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's then-current educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to open and operate the Studios (as may be evidenced by prior related experience or otherwise); has at least the same managerial and financial acumen required of new Multi-Unit Developers, and has sufficient equity capital, as determined by Franchisor in Franchisor's discretion, to open and operate the Studios required under the terms of this Multi-Unit Development Agreement;

(vi) At Franchisor's option, the transferee must sign (and, upon Franchisor's request, shall cause all interested parties to sign), for a term ending on the expiration date of the Franchise Agreement(s) and with the Successor Term as may be provided by the Franchise Agreement(s), the standard form of Franchise Agreement and Multi-Unit Development Agreement then being offered to new Multi-Unit Developers and any other ancillary agreements as Franchisor may require for the Studios, which agreements shall supersede the Franchise Agreements and the Multi-Unit Development Agreement between the Multi-Unit Developer and Franchisor in all respects and the terms of which agreements may differ from the terms of the Franchise Agreements and Multi-Unit Development Agreement, including, without limitation, the implementation of other fees and different royalty rates;

(vii) The Multi-Unit Developer and its principals must remain liable for all direct and indirect obligations to Franchisor in connection with the Studios before the effective date of transfer and will continue to remain responsible for their obligations of nondisclosure, noncompetition and indemnification as provided in the Franchise Agreements and Personal Guaranty, attached into this Development Agreement as **Attachment C**, and shall sign any and all instruments reasonably requested by Franchisor to further evidence this liability; and

(viii) Multi-Unit Developer or its authorized transferee shall pay to Franchisor, at the time of said transfer, a transfer fee ("**Development Transfer Fee**") equal to Twenty-Five Hundred Dollars ($2,500.00) for each unopened RockSalt Location to be transferred, and fifty percent (50%) of the then current Initial Franchise Fee, or such other amount as required by the terms of each individual Franchise Agreement, for each Studio which is open and operating at the time Multi-Unit Developer notifies Franchisor of its intent to transfer or assign this Development Agreement (which transfer or assignment shall be in compliance with the terms of each open Studio's individual Franchise Agreement), to cover Franchisor's administrative and other expenses in connection with the transfer of the Studios by the Multi-Unit Developer.

(e) If Multi-Unit Developer or its principals shall at any time determine to sell, transfer or otherwise dispose of all or part of the rights under this Development Agreement or an ownership interest in Multi-Unit Developer, and Multi-Unit Developer or its principals shall obtain a bona fide, signed written offer from a responsible and fully disclosed purchaser, Multi-Unit Developer shall notify Franchisor in writing of each offer, and Franchisor shall have the right and option, exercisable within a period of 30 days from the date of delivery of this offer, by written notice to Multi-Unit Developer or its owners, to purchase the rights under this Development Agreement or this ownership interest for the price and on the terms and conditions contained in said purchaser's offer; provided, however, Franchisor has the right to substitute any non-cash consideration included in the purchase offer with the equivalent amount of cash. If Franchisor does not exercise its right of first refusal, Multi-Unit Developer or its principals may complete the sale of Multi-Unit Developer or this ownership interest, subject to Franchisor's approval of the purchaser and all other conditions set forth in this Section 8.2, provided that if this sale is not completed within 120 days after delivery of this offer to Franchisor, Franchisor shall again have the right of first refusal herein provided. In the event that the Multi-Unit Developer wishes to publicly offer its shares in any partnership or corporation which has an ownership interest in the Multi-Unit Developer, said public offering shall be subject to the approval of Franchisor, this approval to not be unreasonably withheld.

8.3 Each shareholder, member, or partner of the corporation, limited liability company, or partnership which is granted the rights to serve as the Multi-Unit Developer hereunder shall be a party to a shareholders' agreement, operating agreement, or partnership agreement which shall provide, inter alia, that upon any dissolution of the corporation, limited liability company, or partnership, or upon any divorce decree among the parties who are also shareholders, members, or partners, that ownership of the shares, membership interest, or partnership interest shall be transferred to the shareholder, member, or partner for agreed upon consideration, which has primary responsibility for sales and marketing activities, typically the President, following any dissolution or decree. The form and content of the shareholders' agreement, operating agreement, or partnership agreement must be authorized by Franchisor before execution. Multi-Unit Developer's failure to comply with this Section 8.3 shall constitute a material default of this Development Agreement.

## 9. FORCE MAJEURE

9.1 In the event that Multi-Unit Developer is unable to comply with the Development Schedule due to strike, riot, civil disorder, war, failure to supply, fire, natural catastrophe or other similar events beyond its control, and upon notice to Franchisor, the Development Schedule and this Development

Agreement shall be extended for a corresponding period, not to exceed 90 days; provided, however, that this Section 9 shall not extend the time for payment of any monetary obligations owed to Franchisor.

## 10. CONFIDENTIALITY

10.1 Nothing contained in this Development Agreement shall be construed to require Franchisor to divulge to Multi-Unit Developer any trade secrets, techniques, methods or processes except the material contained in Franchisor's Operations Manuals and training materials, and then only pursuant to the terms, conditions and restrictions contained in the applicable Franchise Agreement. Multi-Unit Developer acknowledges that its knowledge of Franchisor's know-how, processes, techniques, information and other proprietary data is derived entirely from information disclosed to it by Franchisor and that the information is proprietary, confidential and a trade secret of Franchisor. Multi-Unit Developer agrees to adhere fully and strictly to the confidentiality of the information and to exercise the highest degree of diligence in safeguarding Franchisor's trade secrets during and after the term of this Agreement. Multi-Unit Developer shall divulge the material only to its employees and agents and only to the extent necessary to permit the efficient operation of the Studios. It is expressly agreed that the ownership of all the items and property is and shall remain vested solely in Franchisor.

10.2 Multi-Unit Developer agrees that all terms of this Agreement shall remain confidential and shall not make any public announcement, issue any press release or publicity, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures other than the existence of this Development Agreement without the prior written consent of Franchisor unless compelled by law or ordered to do so by a court of competent jurisdiction. It is agreed and understood that Multi-Unit Developer may disclose the terms of this Development Agreement to its professional advisors and lenders. Franchisor shall be free to make the disclosure of the terms of this Development Agreement as it determines, in its discretion, to be in the best interest of Franchisor or the System.

## 11. NONCOMPETITION

11.1 Multi-Unit Developer has heretofore specifically acknowledged that, pursuant to this Agreement, Multi-Unit Developer will receive valuable specialized Confidential Information and information regarding the business of Franchisor, and its System. Multi-Unit Developer covenants that during the term of this Development Agreement and subject to the post-term provisions contained herein, except as otherwise authorized in writing by Franchisor, Multi-Unit Developer shall not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or corporations:

(a) Divert or attempt to divert any business or customer of the Studios to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks or the System; or

(b) Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Studios.

11.2 Multi-Unit Developer covenants that, except as otherwise authorized in writing by Franchisor, Multi-Unit Developer shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two years thereafter, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business which is the same as or substantially similar to the Studio and which is located within a radius of 20 miles of the Development Territory hereunder or within a radius of a 25 miles of the location of any Multi-Unit Developer, company-owned Studio, affiliate owned Studio, or franchisee-owned Studio under the System which is in existence on the date of expiration or termination of this Agreement.

11.3 Sections 11.1 and 11.2 shall not apply to ownership by Multi-Unit Developer of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation provided that Multi-Unit Developer has no management responsibility or advisory responsibility with such publicly traded company.

11.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Development Agreement. If any or all portions of the covenants in this Section 11 are held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which Franchisor is a party, Multi-Unit Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of this 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 11.

11.5 Multi-Unit Developer understands and acknowledges that Franchisor shall have the right, in its discretion, to reduce the scope of any covenant set forth in Sections 11.1 and 11.2 in this Development Agreement, or any portion thereof, without Multi-Unit Developer's consent, effective immediately upon receipt by Multi-Unit Developer of written notice thereof, and Multi-Unit Developer agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable.

11.6 Multi-Unit Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Development Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 11. Multi-Unit Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11 provided Franchisor prevails in any or all of its claims against Multi-Unit Developer.

11.7 Multi-Unit Developer acknowledges that Multi-Unit Developer's violation of the terms of this Section 11 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Multi-Unit Developer accordingly consents to the issuance of an injunction by any court of competent jurisdiction or arbitrator having jurisdiction over the Agreement prohibiting any conduct by Multi-Unit Developer in violation of the terms of this Section 11.

11.8 At Franchisor's request, Multi-Unit Developer shall require and obtain execution of covenants similar to those set forth in this Section 11 (including covenants applicable upon the termination of a person's relationship with Multi-Unit Developer) from any or all of the following persons: (a) all directors and managers of each Studio; (b) all officers, directors and holders of a beneficial interest of 5% or more of the securities of Multi-Unit Developer and of any corporation directly or indirectly controlling Multi-Unit Developer if Multi-Unit Developer is a corporation; and (c) the members or general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of 5% or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner) if Multi-Unit Developer is a limited liability company or partnership. All covenants required by this Section 11 shall be in forms satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of these covenants with the independent right to enforce them. Failure by Multi-Unit Developer to obtain execution of a covenant required by this Section 11 shall constitute a material default under Section 7 hereunder.

## 12. ENTIRE AGREEMENT

This Agreement, along with the Franchise Disclosure Document, constitutes the entire understanding of the parties with respect to the development of the Development Territory, and shall not be modified except by a written agreement signed by the parties hereto. Nothing in the Multi-Unit Development Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Where this Development Agreement and any Franchise Agreement between the parties conflict with respect to initial training, the amount or payment terms of Initial Franchise Fees or equity interests held by the franchisee or operating partners and unit managers, the terms of this Agreement shall govern. Under no circumstances do the parties intend that this Development Agreement be interpreted in a way as to grant Multi-Unit Developer any rights to grant sub-franchises in the Development Territory.

## 13. MONTHLY REPORTS

Multi-Unit Developer agrees that it shall provide to Franchisor a monthly report of its activities and progress in developing and establishing Studios as provided herein. The monthly reports shall be submitted no later than the 5th day following the end of the preceding month during the term of this Development Agreement.

## 14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is acknowledged and agreed that Multi-Unit Developer and Franchisor are independent contractors, and nothing contained herein shall be construed as constituting Multi-Unit Developer as the agent, partner or legal representative of Franchisor for any purpose whatsoever. Multi-Unit Developer shall enter into contracts for the development of the Development Territory contemplated by this Agreement at its sole risk and expense and shall be solely responsible for the direction, control and management of its agents and employees. Multi-Unit Developer acknowledges that it does not have authority to incur any obligations, responsibilities or liabilities on behalf of Franchisor, or to bind Franchisor by any representations or warranties, and agrees not to hold itself out as having this authority.

14.2 Multi-Unit Developer agrees to protect, defend, indemnify and hold Franchisor harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with Multi-Unit Developer's carrying out its obligations hereunder.

## 15. COMPLIANCE WITH APPLICABLE LAWS

Multi-Unit Developer shall develop all Studios in the Development Territory in accordance and compliance with all applicable federal, state and local statutes, laws, ordinances and regulations (where applicable) and agrees to promptly pay all financial obligations incurred in connection therewith. Multi-Unit Developer must obtain all business licenses and permits required for the operation of a Studio by federal, state, and local laws, ordinances, rules and regulations before operating any Studio, including any liquor laws that might be applicable.

## 16. CHANGE IN DEVELOPMENT TERRITORY

The parties acknowledge that the development of the Development Territory as anticipated hereunder has been determined according to the needs of the Multi-Unit Developer's targeted market in the Development Territory, as determined by Franchisor, as of the date of execution of this Agreement. The Multi-Unit Developer understands that, if there is an increased public demand for the products and services offered by Franchisor due to an increase in the number of individuals or families in the Development Territory, Franchisor will expect the Multi-Unit Developer to establish additional Studios within the Development Territory. While Franchisor will not require the Multi-Unit Developer to establish the additional Studios, Franchisor will strongly encourage Multi-Unit Developer to do so. Any additional Studio shall be governed by Franchisor's then-current form of individual Franchise Agreement.

## 17. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their heirs, successors, permitted assigns and personal representatives.

## 18. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado which laws shall govern in the event of any conflict of laws, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.). The parties expressly consent to personal jurisdiction in the State of Colorado and agree that, except as set forth in Section 21, the state and federal court(s) located in Colorado will have exclusive jurisdiction for the purposes of carrying out this provision.

## 19. RECEIPT OF DOCUMENTS

Multi-Unit Developer acknowledges receipt of the Disclosure Document, Multi-Unit Development Agreement, Franchise Agreement, and other contracts for the Studio at least 14 calendar days before execution hereof or payment of any monies.

## 20. NOTICE

20.1 Whenever this Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address.

20.2 All notices to Multi-Unit Developer shall be conclusively deemed to have been received by Multi-Unit Developer upon the delivery or attempted delivery of this notice to Multi-Unit Developer's address listed herein, or the changed address.

**To Franchisor:** ROCKSALT PILATES FRANCHISE, LLC
Attn: Peter Belesis
P.O. Box 1474
San Mateo, CA 94401

**Notice to Multi-Unit Developer:** ______________________________
______________________________
______________________________

## 21. ARBITRATION

21.1 _The parties agree that all controversies, claims and disputes between them arising out of or relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the performance of either party, and/or the purchase of the development rights by Multi-Unit Developer shall be finally resolved by submitting this matter to binding arbitration under the auspices of, and using the commercial arbitration rules of, the American Arbitration Association as such rules are in effect as of the date the demand for arbitration is filed. Each party shall agree on one arbitrator selected from a panel of neutral arbitrators provided by the American Arbitration Association or such other arbitration body as the parties mutually agree upon, and the arbitrator shall be chosen by the striking method. In accordance with the terms of the Federal Arbitration Act, the Arbitrator shall hear the dispute in the American Arbitration Association offices in Denver, Colorado. Each party shall bear its own costs and attorney fees and one-half of the arbitrator's expenses. The arbitrator shall have no authority to amend or modify the terms of this Agreement. Each party further agrees that, unless a limitation is prohibited by applicable law, the other party shall not be liable for punitive or exemplary damages and the arbitrator shall have no authority to award the same. The decision of the arbitrator shall be final and binding. The Multi-Unit Developer knows, understands, and agrees that it is the intent of the parties that any arbitration between Franchisor and the Multi-Unit Developer shall be of the Multi-Unit Developer's individual claims and that the claims subject to arbitration shall not be arbitrated in conjunction with the claims of other Multi-Unit Developers or franchisees or on a class-wide basis, and Multi-Unit Developer hereby waives any right it may assert to have its claims arbitrated in conjunction with the claims of other Multi-Unit Developers or franchisees or on a class-wide basis.

21.2 Notwithstanding any provision contained in this Section 21, Franchisor may, at its sole option, institute an action or actions for temporary or preliminary injunctive relief or seeking any other temporary or permanent equitable relief against the Multi-Unit Developer that may be necessary to protect its trademarks or other rights or property. However, in Franchisor's discretion, the final right of determination of the ultimate controversy, claim or dispute shall be decided by arbitration as aforesaid and recourse to the courts shall thereafter be limited to seeking an order to enforce an arbitral award. In no event shall the Multi-Unit Developer be entitled to make, the Multi-Unit Developer shall not make, and the Multi-Unit Developer hereby waives, any claim for money damages by way of set-off, counterclaim, defense or otherwise based upon any claim or assertion by the Multi-Unit Developer that Franchisor has unreasonably withheld or unreasonably conditioned or delayed any consent or approval to a proposed act by the Multi-Unit Developer under any of the terms of this Agreement. The Multi-Unit Developer's sole remedy for any claim shall be an action or proceeding to enforce any provisions, for specific performance or declaratory judgment.

## 22. MODIFICATION BY FRANCHISOR

22.1 Franchisor may modify and update its Operations Manual, the Proprietary Marks and the System unilaterally under any conditions and to any extent which Franchisor, in the exercise of its discretion, deems necessary to meet competition, protect trademarks or trade name, or improve the quality of the products or services provided through the Studios, and Multi-Unit Developer shall exclusively incur the costs of any change in the Studio or the System which has been caused by this modification. In the event that any improvement or addition to the Operations Manual, the System or the Proprietary Marks is developed by Multi-Unit Developer, then Multi-Unit Developer agrees to assign all right, title, and interest to such improvement or addition or, if such assignment is prohibited by law, to grant to Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sub-license the improvement or addition.

## 23. ACKNOWLEDGEMENTS

23.1 Multi-Unit Developer acknowledges and recognizes that different terms and conditions, including different fee structures, may pertain to different Multi-Unit Development Agreements and franchise agreements offered in the past, contemporaneously herewith, or in the future, and that Franchisor does not represent that all Multi-Unit Development Agreements or franchise agreements are or will be identical.

23.2 Multi-Unit Developer acknowledges that it is not, nor is it intended to be, a third-party beneficiary of this Agreement or any other agreement to which Franchisor is a party.

23.3 Multi-Unit Developer represents to Franchisor that it has the business acumen, corporate authority, and financial wherewithal to enter into this Agreement and to perform all of its obligations hereunder and furthermore that the execution of this Agreement is not in contravention of any other written or oral obligation of the Multi-Unit Developer.

23.4 Multi-Unit Developer acknowledges that whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercises reasonable business judgment ("Reasonable Business Judgment") in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

23.5 Multi-Unit Developer acknowledges that it received from Franchisor this Agreement with all blanks filled in at least seven calendar days before the execution of this Agreement.

23.6 Multi-Unit Developer acknowledges and accepts the following:

(a) THE SUCCESS OF THE MULTI-UNIT DEVELOPER IN MANAGING AND OPERATING MULTIPLE ROCKSALT LOCATIONS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, MULTI-UNIT DEVELOPER'S INDEPENDENT BUSINESS ABILITY. MULTI-UNIT DEVELOPER HAS BEEN GIVEN THE OPPORTUNITY AND BEEN ENCOURAGED TO OBTAIN INDEPENDENT ADVICE FROM LEGAL AND OTHER PROFESSIONALS BEFORE ENTERING INTO THIS AGREEMENT. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE STUDIOS RESTS SOLELY WITH MULTI-UNIT DEVELOPER. MULTI-UNIT DEVELOPER HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE MULTI-UNIT DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO MULTI-UNIT DEVELOPER AND CANNOT, EXCEPT IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER MULTI-UNIT DEVELOPER'S BUSINESS. MULTI-UNIT DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

**IN WITNESS WHEREOF**, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

**FRANCHISOR:**

**ROCKSALT PILATES FRANCHISE, LLC,**
**a Colorado limited liability company**

By: ______________________________

Name: ____________________________

Its: ______________________________

**MULTI-UNIT DEVELOPER:**

By: _______________________________

Name:______________________________

Title: _____________________________

By: _______________________________

Name:______________________________

Title: _____________________________

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT A**

**DEVELOPMENT TERM, DESCRIPTION OF DEVELOPMENT TERRITORY AND CALCULATION OF MULTI-UNIT DEVELOPMENT FEE**

**DEVELOPMENT TERM:**

**This Agreement expires on the earlier of (a) _ years from the Effective Date or (b) completion of the term of the Development Schedule.**

**DESCRIPTION OF THE DEVELOPMENT TERRITORY**

_________________________________________________

**MULTI-UNIT DEVELOPMENT FEE**

Total Number of Studios: ____________

Number of Studios subject to Multi-Unit Development Fee calculation: ____________________

Total Multi-Unit Development Fee: $______________________

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT B**

**DEVELOPMENT SCHEDULE**

| Studio Unit | Development Deadline |
|---|---|
| 1 | 12 months after Effective Date |
| 2 | ___ months after Development of Unit 1 |
| 3 | ___ months after Development of Unit 2 |
| 4 | ___ months after Development of Unit 3 |
| 5 | ___ months after Development of Unit 4 |
| 6 | ___ months after Development of Unit 5 |

## MULTI-UNIT DEVELOPMENT AGREEMENT

## ATTACHMENT C

## PERSONAL GUARANTY

In consideration of, and as an inducement to, the execution of that certain Multi-Unit Development Agreement, and any revisions, modifications, addenda and amendments thereto, (hereinafter collectively the "**Agreement**") dated _______________, by and between **RockSalt Pilates Franchise, LLC,** a Colorado limited liability company ("**Franchisor**") and _________ ("**Multi-Unit Developer**"), each of the undersigned Personal Guarantors agrees as follows:

1. The Personal Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of the Multi-Unit Developer under the terms, covenants and conditions of the Agreement, including without limitation, compliance with all confidentiality requirements, protection and preservation of confidential information, compliance with all non-compete provisions, compliance with the terms of any and all other agreements signed by Multi-Unit Developer in order to open and operate the Studios (as defined in the Development Agreement), and the complete and prompt payment of all indebtedness to Franchisor under the Development Agreement. The word "**indebtedness**" is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of the Multi-Unit Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Personal Guarantors are independent of the obligations of the Multi-Unit Developer and a separate action or actions may be brought and prosecuted against any or all of the Personal Guarantors, whether or not actions are brought against the Multi-Unit Developer or whether the Multi-Unit Developer is joined in any action.

3. Franchisor shall not be obligated to inquire into the power or authority of the Multi-Unit Developer or its partners or the officers, directors, agents, members or managers acting or purporting to act on the Multi-Unit Developer's behalf and any obligation or indebtedness made or created in reliance upon the exercise of this power and authority shall be guaranteed hereunder. Where the Personal Guarantors are corporations, limited liability companies, or partnerships it shall be conclusively presumed that the Personal Guarantors and the shareholders, members, partners, agents, officers and directors acting on their behalf have the express authority to bind these corporations, limited liability companies, or partnerships and that these corporations, limited liability companies, or partnerships have the express power to act as the Personal Guarantors pursuant to this Personal Guaranty and that this action directly promotes the business and is in the interest of these corporations, limited liability companies, or partnerships.

4. Franchisor, its successors and assigns, may occasionally, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Development Agreement or otherwise.

5. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Development Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Multi-Unit Developer and Franchisor resulting from the Development Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Personal Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Personal Guarantors and the death of any Personal Guarantor shall not terminate the liability of the Personal Guarantor or limit the liability of the other Personal Guarantors hereunder.

7. If more than one person has signed this Personal Guaranty, the term "**the undersigned**," as used herein shall refer to each person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

**IN WITNESS WHEREOF**, each of the undersigned has signed this Personal Guaranty under seal effective as of ________________________.

| | |
|---|---|
| ________________________________<br>[Signature] | ________________________________<br>[Signature] |
| ________________________________<br>[Print Name] | ________________________________<br>[Print Name] |
| ________________________________<br>________________________________<br>Home Address | ________________________________<br>________________________________<br>Home Address |
| ________________________________<br>Telephone | ________________________________<br>Telephone |
| ________________________________<br>Date | ________________________________<br>Date |

**MULTI-UNIT DEVELOPMENT AGREEMENT**
**ATTACHMENT D**

**STATEMENT OF SHAREHOLDERS/MEMBERS/PARTNERS**

The shareholders, members, or partners (collectively the "**Shareholders**") of the Multi-Unit Developer and their respective shareholdings are as follows:

| NAME OF SHAREHOLDER | NUMBER AND DESIGNATION OF SHARES | OWNERSHIP PERCENTAGE |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

# <u>EXHIBIT D</u>

## STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

## STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We intend to register this Franchise Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|---|---|---|
| **CALIFORNIA** | California Department of Financial Protection & Innovation<br>One Sansome Street, Suite 600<br>San Francisco, CA 94104<br>415-972-8559<br>1-866-275-2677<br>www.dfpi.ca.gov<br>ask.dfpi@dfpi.ca.gov | California Commissioner Department of Financial Protection & Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles 90013-2344<br>1-866-275-2677<br>www.dfpi.ca.gov<br>ask.dfpi@dfpi.ca.gov |
| **CONNECTICUT** | Securities and Business Investment Division<br>Connecticut Department of Banking<br>260 Constitution Plaza<br>Hartford, CT 06103<br>860-240-8230 | Connecticut Banking Commissioner<br>Same Address |
| **FLORIDA** | Department of Agriculture & Consumer Services<br>Division of Consumer Services<br>Mayo Building, Second Floor<br>Tallahassee, FL 32399-0800<br>850-245-6000 | Same |
| **GEORGIA** | Office of Consumer Affairs<br>2 Martin Luther King Drive, S.E.<br>Plaza Level, East Tower<br>Atlanta, GA 30334<br>404-656-3790 | Same |
| **HAWAII** | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>808-586-2722 | Commissioner of Securities of the State of Hawaii<br>Dept. of Commerce and Consumer Affairs<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813 |
| **ILLINOIS** | Franchise Division<br>Office of the Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>217-782-4465 | Illinois Attorney General<br>Same Address |
| **INDIANA** | Securities Commissioner<br>Indiana Securities Division<br>302 West Washington Street, Room E 111<br>Indianapolis, IN 46204<br>317-232-6681 | Indiana Secretary of State<br>201 State House<br>200 West Washington Street<br>Indianapolis, IN 46204 |
| **IOWA** | Iowa Securities Bureau<br>Second Floor<br>Lucas State Office Building<br>Des Moines, IA 50319<br>515-281-4441 | Same |
| **KENTUCKY** | Kentucky Attorney General's Office<br>Consumer Protection Division<br>1024 Capitol Center Drive<br>Frankfort, KY 40602<br>502-696-5389 | Same |

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|---|---|---|
| **LOUISIANA** | Department of Urban & Community Affairs<br>Consumer Protection Office<br>301 Main Street, 6th Floor<br>One America Place<br>Baton Rouge, LA 70801<br>504-342-7013 (gen. info.) 504-342-7900 | Same |
| **MAINE** | Department of Business Regulations<br>State House - Station 35<br>Augusta, ME 04333<br>207-298-3671 | Same |
| **MARYLAND** | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>410-576-6360 | Maryland Securities Commissioner<br>Same Address |
| **MICHIGAN** | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>525 W. Ottawa Street<br>G. Mennen Williams Building, 1st Floor<br>Lansing, MI 48913<br>517-373-7117 | Michigan Department of Commerce<br>Corporations and Securities Bureau<br>Same Address |
| **MINNESOTA** | Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101<br>651-539-1500 | Minnesota Commissioner of Commerce<br>Same Address |
| **NEBRASKA** | Department of Banking and Finance<br>Bureau of Securities/Financial Institutions Division<br>1526 K Street, Suite 300<br>Lincoln, NE 68508-2732<br>P.O. Box 95006<br>Lincoln, Nebraska 68509-5006<br>Tele: 402-471-2171 | Same |
| **NEW HAMPSHIRE** | Attorney General<br>Consumer Protection and Antitrust Bureau<br>State House Annex<br>Concord, NH 03301<br>603-271-3641 | Same |
| **NEW YORK** | Bureau of Investor Protection and Securities<br>New York State Department of Law<br>28 Liberty Street, 21st Floor<br>New York, NY 10005<br>212-416-8222 | Secretary of State of New York<br>99 Washington Avenue<br>Albany, New York 12231 |
| **NORTH CAROLINA** | Secretary of State’s Office/Securities Division<br>2 South Salisbury Street<br>Raleigh, NC 27601<br>919-733-3924 | Secretary of State<br>Secretary of State’s Office<br>Same Address |
| **NORTH DAKOTA** | North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capitol, 14th Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>701-328-4712; Fax: 701-328-0140 | North Dakota Securities Commissioner<br>Same Address |

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|---|---|---|
| **OHIO** | Attorney General<br>Consumer Fraud & Crime Section<br>State Office Tower<br>30 East Broad Street, 15th Floor<br>Columbus, OH 43215<br>614-466-8831 or 800-282-0515 | Same |
| **OKLAHOMA** | Oklahoma Securities Commission<br>2915 Lincoln Blvd.<br>Oklahoma City, OK 73105<br>405-521-2451 | Same |
| **OREGON** | Department of Insurance and Finance<br>Corporate Securities Section<br>Labor and Industries Building<br>Salem, OR 96310<br>503-378-4387 | Director<br>Department of Insurance and Finance<br>Same Address |
| **RHODE ISLAND** | Rhode Island Department of Business Regulation<br>1511 Pontiac Avenue, Building 68-2<br>Cranston, RI 02920<br>401-222-3048 | Director, Rhode Island Department of Business Regulation<br>Same address |
| **SOUTH CAROLINA** | Secretary of State<br>P.O. Box 11350<br>Columbia, SC 29211<br>803-734-2166 | Same |
| **SOUTH DAKOTA** | South Dakota Department of Labor and Regulation<br>Division of Insurance<br>Securities Regulation<br>124 S. Euclid Avenue, Suite 104<br>Pierre, SD 57501<br>605-773-3563 | Director of the South Dakota<br>Division of Insurance, Securities Regulation<br>Same Address |
| **TEXAS** | Secretary of State<br>Statutory Documents Section<br>P.O. Box 12887<br>Austin, TX 78711-2887<br>512-475-1769 | Same |
| **UTAH** | Utah Department of Commerce<br>Consumer Protection Division<br>160 East 300 South (P.O. Box 45804)<br>Salt Lake City, UT 84145-0804<br>TELE:  801-530-6601<br>FAX: 801-530-6001 | Same |
| **VIRGINIA** | State Corporation Commission<br>Division of Securities and Retail Franchising<br>Tyler Building, 9th Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>804-371-9051 | Clerk of the State Corporation Commission<br>Tyler Building, 1st Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>804-371-9733 |
| **WASHINGTON** | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507<br>(360) 902-8760 | Director, Dept. of Financial Institutions<br>Securities Division<br>150 Israel Rd S.W.<br>Tumwater, WA 98501 |

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|---|---|---|
| **WISCONSIN** | Wisconsin Dept. of Financial Institutions<br>Division of Securities<br>345 W. Washington Avenue, 4th Floor<br>Madison, WI 53703<br>608-266-8557 | Wisconsin Commissioner of Securities<br>Same Address |

# EXHIBIT E

## STATE ADDENDA
## AND AGREEMENT RIDERS

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT
PURSUANT TO THE CALIFORNIA FRANCHISE INVESTMENT LAW
FOR RESIDENTS OF THE STATE OF CALIFORNIA**

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

None of the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

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

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

The franchise agreement requires binding arbitration. The arbitration will occur in the Denver, Colorado with the arbitration costs being borne equally by franchisor and franchisee.

The Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under the laws of other states.

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

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code

§§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Exhibit I – Franchisee Questionnaire is here by deleted in its entirety.

Item 19 is hereby amended to add:

"The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in the offering circular, may be one source of this information."

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

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

DATED this _______ day of ____________________, 20__.

| | |
|---|---|
| **FRANCHISOR:**<br>**RockSalt Pilates Franchise, LLC** | **FRANCHISEE:**<br>______________________________ |
| By: ______________________________ | By: ______________________________ |
| Title: ______________________________ | Title: ______________________________ |

**<u>EXHIBIT F</u>**

**CONTRACTS FOR USE WITH THE FRANCHISED BUSINESS**

The following contracts contained in **<u>Exhibit F</u>** are contracts that Franchisee may be required to utilize or execute after signing the Franchise Agreement in the operation of the Franchised Business. The following are the forms of contracts that RockSalt Pilates Franchise, LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked "Sample," they are subject to change at any time.

## EXHIBIT F-1

## SAMPLE GENERAL RELEASE AGREEMENT

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "**Release**") is made as of ________________________ by ______________________________________, a(n) _____________________________ ("**Franchisee**"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "**Releasor**") in favor of RockSalt Pilates Franchise, LLC, a Colorado limited liability company ("**Franchisor**," and together with Releasor, the "**Parties**").

**WHEREAS,** Franchisor and Franchisee have entered into a Franchise Agreement ("**Agreement**") pursuant to which Franchisee was granted the right to own and operate a RockSalt Pilates business ("**Franchised Business**");

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

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

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

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

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "**Released Parties**"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to Franchised Business, the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

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

4. Miscellaneous.

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

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

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

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

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

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

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

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

***(Signatures on following page)***

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

**FRANCHISEE:**

______________________________________________, a

______________________________________________

By: ___________________________________________

Name: ________________________________________

Its: ___________________________________________

Date _________________________

**FRANCHISEE'S OWNERS:**

______________________________________________
Signature

______________________________________________
Typed or Printed Name

## EXHIBIT F-2

## SAMPLE FRANCHISE SYSTEM PROTECTION AGREEMENT

This Franchise System Protection Agreement (this "**Agreement**") is entered into by the undersigned ("**you**") in favor of RockSalt Pilates Franchise, LLC, a Colorado limited liability company, and its successors and assigns ("**us**"), upon the terms and conditions set forth in this Agreement.

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

*"Competitive Business"* means any business that derives at least 50% of its revenue from studios providing Pilates-related services to clients and selling Pilates-related retail products. A Competitive Business does not include a Pilates business then operating pursuant to a franchise agreement with us ("**Franchised Business**").

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

*"Franchise System"* means our system for the establishment, development, operation, and management of a Franchised Business, including Know-how, proprietary programs and products, confidential Manual, and operating system.

*"Franchisee"* means the Franchised Business franchisee for whom you are an officer, director, employee, or independent contractor.

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

*"Know-how"* means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Franchised Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the Franchise System and the Manual.

*"Manual"* means our confidential Manual for the operation of a Franchised Business.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Franchised Business. The term "Marks" also includes any distinctive trade dress used to identify a Franchised Business, whether now in existence or hereafter created.

*"Prohibited Activities"* means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing: (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

*"Restricted Period"* means the two (2) year period after you cease to be a manager of Franchisee's Franchised Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the one (1) year period after you cease to be a manager or officer of Franchisee's Franchised Business.

*"Restricted Territory"* means the geographic area within: (i) a 20-mile radius from Franchisee's Franchised Business (and including the premises of the Franchised Business); and (ii) a 20-mile radius from all other company-owned, affiliate-owned, or Franchised Businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 15-mile radius from the Franchised Business (and including the premises of the Franchised Business).

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

**3. Intellectual Property**. You agree: (i) you will not use the Know-how in any business or capacity other than the Franchised Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee's Franchised Business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

**4. Unfair Competition During Relationship**. You agree not to unfairly compete with us at any time while you are a manager of Franchisee's Franchised Business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship**. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

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

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

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

**9. Miscellaneous**.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

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

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

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

EXECUTED on the date stated below.

Date________________________________ ______________________________________________
Signature

______________________________________________
Typed or Printed Name

# EXHIBIT F-3

## ROCKSALT PILATES FRANCHISE, LLC

## SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("**Agreement**") is entered into by the undersigned ("**you**") in favor of RockSalt Pilates Franchise, LLC, a _______ limited liability company, and its successors and assigns ("**us**"), upon the terms and conditions set forth in this Agreement.

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

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

*"Franchise System"* means our system for the establishment, development, operation, and management of a Franchised Business, including Know-how, proprietary programs and products, confidential Manual, and operating system.

*"Franchised Business"* means a business operating pursuant to a franchise agreement with us that the operation of high-end Pilates studios providing Pilates-related services to clients and selling Pilates-related retail products and other related services and products using our Intellectual Property.

*"Franchisee"* means the Franchised Business franchisee for whom you are an officer, director, employee, or independent contractor.

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

*"Know-how"* means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Franchised Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the Franchise System and the Manual.

*"Manual"* means our confidential Manual for the operation of a Franchised Business.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Franchised Business. The term "Marks" also includes any distinctive trade dress used to identify a Franchised Business, whether now in existence or hereafter created.

**2. Background**. You are an employee, independent contractor, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Franchise System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with this Agreement.

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

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

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

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

**7. Miscellaneous**.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

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

c. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

***(Signatures on following page)***

EXECUTED on the date stated below.

Date_________________________________ _____________________________________________
Signature

_____________________________________________
Typed or Printed Name

## EXHIBIT F-4

## AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

**Franchisee Information:**

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

**Bank Account Information:**

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

**Authorization:**

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

Signature: ___________________________________ Date: _________________________

Name: _______________________________________

Its: __________________________________________

Federal Tax ID Number: ________________________

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

# EXHIBIT F-5

## SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment ("**Agreement**") is entered into_____________________ _____________________________, between RockSalt Pilates Franchise, LLC ("**Franchisor**"), _______________________________ ("**Former Franchisee**") and ________________________________ ("**New Franchisee**").

### RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _________________________________ ("**Franchise Agreement**"), in which Franchisor granted Former Franchisee the right to operate a Pilates business franchise located at _____________________________________ ("**Franchised Business**"); and

WHEREAS, Former Franchisee desires to assign ("**Requested Assignment**") the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement ("**Franchisor's Assignment Fee**").

2. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Franchise Agreement.

3. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee's rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement, which is attached to this Agreement as Attachment A.

4. New Franchise Agreement. New Franchisee shall execute Franchisor's current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Attachment B, and any other required contracts for the operation of a Franchised Business as stated in Franchisor's Franchise Disclosure Document.

5. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three year period following the execution of this Agreement.

6. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee, and shall not involve Franchisor.

7. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

9. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

***(Signatures on following page)***

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR**:

ROCKSALT PILATES FRANCHISE, LLC

By: ___________________________

Title: _______________________

**FORMER FRANCHISEE:**

_________________

By: ______________________________

Title: ______________________________

**NEW FRANCHISEE:**

____________________

By: ______________________________

Title: _______________________________

## EXHIBIT F-6

## SAMPLE TERMINATION OF FRANCHISE AGREEMENT AND RELEASE (UPON TRANSFER TO AN AUTHORIZED FRANCHISEE)

This Termination of Franchise Agreement and Release ("**Agreement**") is made _____________, by and between RockSalt Pilates Franchise, LLC, a ________________ limited liability company, with its principal place of business at _________________________ ("**Franchisor**"), and ________________________________, a ________________________________, with a business address at ____________________________________________ ("**Transferor**").

## BACKGROUND

A. On ___________________, Transferor entered into a franchise agreement ("**Franchise Agreement**") with Franchisor for the right to operate a Pilates business franchise under Franchisor's proprietary marks and system ("**Franchise System**") at the following Authorized Location: _____________________________________________________ ("**Franchised Business**").

B. Transferor has satisfied all conditions of transfer as specified in the Franchise Agreement and now desires to sell the business to ____________________________________, who has been approved by Franchisor as an authorized transferee.

C. In order to complete Transferor's sale of the business, Transferor now desires to terminate the Franchise Agreement and all rights and obligations between the parties relating to the Franchise Agreement, and Franchisor desires to accept such termination, pursuant to the terms of this Agreement.

## AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the terms and conditions contained in this Agreement, the Franchise Agreement and all rights and obligations between Franchisor and Transferor arising from or related to the Franchise Agreement are terminated, effective as of the date of this Agreement.

2. Notwithstanding anything in this Agreement to the contrary, the parties agree that Transferor shall remain bound by all of the post-term covenants and obligations contained in the Franchise Agreement including, without limitation, those relating to Confidential Information and Non-competition.

3. Transferor represents and warrants that all of Transferor's monetary obligations to Franchisor and its subsidiaries and affiliates have been satisfied in full as of the date of this Agreement.

4. Transferor, for itself and all persons and entities claiming by, through or under it, release, acquit, and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors, and assigns ("**Franchisor Releasees**") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney fees, actions, or causes of action whatsoever, whether known or unknown, which Transferor, by itself, on behalf of, or in conjunction with any other person, persons, partnership, or corporation, have, had,

or claim to have against the Franchisor Releasees arising out of or related to the offer, sale, and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

5. Excluding the indemnification obligations in the Franchise Agreement, and Transferor's obligations as in Section 2 of this Agreement, Franchisor, for itself and all persons and entities claiming by, through or under it, releases, acquits, and forever discharges Transferor and Transferor's employees, agents, servants, representatives, affiliates, successors, and assigns ("**Transferor Releasees**") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney fees, actions, or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership, or corporation, have, had, or claim to have against the Transferor Releasees arising out of or related to the offer, sale, and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

6. This Agreement constitutes the entire integrated agreement of the parties with respect to the subject matter contained in this Agreement and may not be subject to any modification without the written consent of the parties.

7. This Agreement shall be construed under the laws of the State of Colorado, which laws shall control in the event of any conflict of law.

8. This Agreement shall be for the benefit of, and binding upon the parties and their respective representatives, successors, and assigns.

9. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

10. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it shall be entitled to recover all costs and expenses, including reasonable attorney fees, incurred in enforcing the terms of this Agreement.

11. Transferor agrees that Transferor has, and had, a relationship with Franchisor at its offices in the State of Illinois and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement shall be commenced and concluded in the State of Illinois, pursuant to the mediation, venue, and jurisdiction provisions of the Franchise Agreement.

12. This Agreement may be executed in multiple counterparts by the various parties, and the failure to have the signatures of all parties on a single Agreement shall not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement shall be deemed to be effective as original signatures.

***(Signatures on following page)***

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**FRANCHISOR**:

ROCKSALT PILATES FRANCHISE, LLC

Attest: ____________

By: ______________________________________________
Name: ____________________________________________
Title: _____________________________________________

**FRANCHISEE:**

__________________________________________________

Witness: __________

By: ______________________________________________

Name: ____________________________________________
Title: _____________________________________________

## EXHIBIT F-7A

## COLLATERAL ASSIGNMENT OF LEASE AND LEASE ADDENDUM FORMS

### FORM OF LEASE ADDENDUM

**TO LEASE DATED ______________________________, ________________ ("Lease")**

**BY AND BETWEEN ____________________________ ("Landlord")**

**AND _____________________________ ("Tenant")**

**For ___________________________________________________ ("Premises")**

THIS ADDENDUM (**"Addendum"**) is entered into among RockSalt Pilates Franchise, LLC (**"Franchisor"**), and the Tenant and Landlord identified above on ______________________________ (**"Effective Date"**) subject to the following recitals:

**WHEREAS**, Tenant and Franchisor are parties to that certain Franchise Agreement (**"Franchise Agreement"**) pursuant to which Franchisor has granted Tenant a franchise and license to operate a RockSalt Pilates franchised business (**"Franchised Business"**) under service marks and/or other proprietary marks Franchisor may designate for use (collectively, the **"Proprietary Marks"**) using the distinctive business methods, uniform operating systems, and trademarks that Franchisor now or hereafter requires to identify, advertise, or promote its proprietary franchise business and system (**"Franchise System"**);

**WHEREAS**, the Franchise Agreement requires Tenant to obtain Franchisor's prior written approval of the location for Tenant's Franchised Business (**"Authorized Location"**) before entering into a lease with the owner or master tenant of the Authorized Location (**"Lease"**);

**WHEREAS**, one of the factors that Franchisor considers in approving a location for Tenant's Franchised Business is the agreement of the owner or master tenant of the Authorized Location to incorporate certain provisions as part of the Lease to protect Franchisor's interests and give Franchisor specific rights as a third party beneficiary;

**WHEREAS**, Franchisor has approved the Premises as the Authorized Locations of Tenant's Franchised Business subject to the parties entering into this Addendum to the Lease of the Premises. Landlord and Tenant are willing to amend the Lease in order to add the specific provisions which Franchisor requires as a condition to approving Tenant's request to locate its Franchised Business at the Premises;

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Effect of Addendum. Tenant and Landlord agree that this Addendum is made a part of that certain Lease for the Premises which they have entered into on the date shown above and attach a copy of the Lease to this Addendum as Schedule 1. Tenant and Landlord agree that, in the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. The parties agree that all defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease. The parties further agree that Franchisor's signature below signifies its agreement to the terms and conditions of this Addendum but does not create or impose any obligations upon Franchisor under the Lease or make Franchisor a named party to the Lease. The parties expressly recognize that Franchisor is a third party beneficiary of the Lease with the rights created by this Addendum.

B. Assignment of Lease. Tenant irrevocably assigns and transfers to Franchisor all of Tenant's right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Franchisor. The parties acknowledge that, until Franchisor accepts the assignment made by Tenant, which acceptance shall be indicated by Franchisor delivering a written notice of acceptance of assignment in accordance with this Addendum, Franchisor has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Tenant represents that, before the Effective Date, it has not entered into an agreement to assign its right, title, and interest in and to the Lease to any other person.

C. Use of Property. During the term of the Lease, Tenant shall use the Premises solely for the operation of a Franchised Business in accordance with the requirements of the Franchise Agreement, unless Tenant and Landlord obtain Franchisor's prior written consent to another use.

D. Franchisor's Right of Entry. Franchisor may enter the Premises at any time to inspect Tenant's operations and engage in all activities expressly permitted by the Franchise Agreement.

E. Notices to Franchisor. Landlord shall serve Franchisor with a copy of any notice of default, breach, or termination of Lease at the same time that Landlord serves Tenant with such notice.

F. Default by Tenant; Franchisor Opportunity to Cure. Landlord agrees not to terminate the Lease based on Tenant's breach or default of any provision of the Lease unless and until Landlord gives Franchisor written notice identifying the breach or default and allows Franchisor an opportunity to cure the breach or default, which cure period shall be no less than the length of the cure period extended to Tenant plus an additional ten (10) days (with a minimum cure period extended to Franchisor of at least 30 days total). To avoid uncertainty over the length of Franchisor's cure period, Landlord shall identify Franchisor's cure period when Landlord gives Franchisor written notice of the breach or default. Landlord shall not terminate the Lease before Franchisor's cure period expires. If Franchisor fails or refuses to cure the breach or default by the end of Franchisor's cure period, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Franchisor.

G. Acceptance of Assignment by Franchisor. Subject to complying with the requirements of this Section, Franchisor may accept the assignment of the Lease by giving written notice of acceptance to Landlord at any time before the Lease terminates or expires if: (i) Franchisor terminates the Franchise Agreement for any reason; (ii) Tenant loses the right to occupy the Premises due to Tenant's breach or default or for any other reason except the expiration of the Lease or condemnation or destruction of the Premises on the terms stated in the Lease. If Franchisor accepts the assignment by giving timely written notice to both Franchisee and Landlord, the parties agree that from and after the date of Franchisor's written notice of acceptance: (i) Franchisor shall have all of the rights of Tenant under the Lease; (ii) Franchisor shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Franchised Business owner without Landlord's prior consent; and (iii) Franchisor shall be liable to perform only the obligations of Tenant under the Lease arising from and after the date of Franchisor's acceptance of the assignment and shall have no liability for obligations arising before Franchisor's acceptance of the assignment (except for the duty to cure any defaults committed by Tenant which are outstanding on the date of Franchisor's notice of acceptance of assignment). Any options to extend the term of the Lease shall automatically transfer to Franchisor as an assignee of Tenant's rights under the Lease. If Franchisor accepts an assignment of the Lease, the parties shall thereafter cooperate and work together to achieve an orderly transition of Tenant's leasehold interest to Franchisor with minimal disruption to the service of customers of the Franchised Business.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Franchisor, Landlord agrees not to accept Tenant's voluntary surrender of the Lease without giving Franchisor prior written notice and a period of no less than ten (10) days in which to accept an assignment of the Lease pursuant to the requirements of this Addendum. Additionally, Landlord agrees not to amend the Lease without Franchisor's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or four (4) days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Franchisor:RockSalt Pilates Franchise, LLC
Attention: Peter Belesis
P.O. Box 1474
San Mateo, CA 94401

Landlord: ______________________
________________________________
________________________________

Tenant: ________________________
________________________________
________________________________

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity who is not a party to this Addendum. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party

***(Signatures on following page)***

**IN WITNESS WHEREOF,** this Addendum is made and entered into by the undersigned parties as of the Effective Date.

**LANDLORD:**

____________________________________

By: ____________________________________

Its: ____________________________________

**TENANT (FRANCHISEE):**

________________________________

By: ______________________________

Its: ________________________________

**FRANCHISOR:**

ROCKSALT PILATES FRANCHISE, LLC

By: _________________________________

Name: _______________________________

Title: ________________________________

# <u>EXHIBIT F-7B</u>

## COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned (**"Assignor"**) hereby assigns and transfers to RockSalt Pilates Franchise, LLC., a Colorado limited liability company, with its principal place of business address at ____________________________ (**"Assignee"**), all of Assignor's right, title, and interest as tenant in, to, and under that certain lease, a copy of which is attached hereto as <u>Schedule 1</u> (**"Lease"**) respecting premises commonly known as ________________________________________________ (**"Premises"**).

This Collateral Assignment of Lease (**"Assignment"**) is for collateral purposes only, and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor's rights, title, and interest under the Lease pursuant to this Assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (**"Franchise Agreement"**), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Assignment, Assignee has the right, and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title, or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting such extension or renewal.

***(Signatures on following page)***

**ASSIGNOR**:

Dated: ____________________________ ____________________________________

By: __________________________________

Name: ________________________________

SIGNED AND SEALED this _____ day of ________________________, 20_____.

_______
Notary Public

## EXHIBIT F-7C

## CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the aforementioned Lease with respect to the Premises does hereby:

(a) agree to notify Assignee in writing of, and upon the failure of, Assignor to cure any default by Assignor under the Lease;

(b) agree that Assignee has the right, but must not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

(c) consents to the foregoing Collateral Assignment of Lease and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor in writing the assumption of the Lease by Assignee as tenant thereunder, Lessor must recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) agree that Assignee will not have any obligations under the Lease or otherwise with respect to the Premises unless Assignee undertakes those actions outlined in the immediately preceding paragraph and in the Lease Addendum that are necessary for Assignee to expressly assume Assignor's obligations under the Lease; and

(e) agrees that Assignee may further assign the Lease to a person, firm, or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor, and upon such assignment, Assignee will have no further liability or obligation under the Lease as Assignee, tenant, or otherwise.

**LESSOR**:

________________________________________

DATED: ___________________

By: _____________________________________
Title: ____________________________________

**<u>EXHIBIT G</u>**

# ROCKSALT PILATES FRANCHISE, LLC

## MANUAL
## TABLE OF CONTENTS

# Franchise Operations Manual

TABLE OF CONTENTS

## Contents

# <u>EXHIBIT H</u>

## LIST OF CURRENT AND FORMER ROCKSALT STUDIO FRANCHISEES

**LIST OF CURRENT AND FORMER ROCKSALT PILATES FRANCHISEES**

As of the Issuance Date our current franchisees: NONE.

As of the Issuance Date, our former franchisees are: NONE.

List of all Franchisor- or Affiliate-owned Studios.

San Mateo
306 E. 5th Avenue
San Mateo, CA 94401
Phone (650) 394-5579

## <u>EXHIBIT I</u>

# FRANCHISEE QUESTIONNAIRE

# FRANCHISEE COMPLIANCE CERTIFICATION

* * * *

**California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin franchisees should not complete this Franchisee Compliance Certification. If a franchisee in one of these states does so, RockSalt Pilates Franchise, LLC will disregard and not rely on the Franchisee Compliance Certification.**

**Do not sign this Franchisee Compliance Certification if you are a resident of California, Maryland or Washington or your business will be operated in California, Maryland or Washington.**

* * * *

As you know, RockSalt Pilates Franchise, LLC the (also called "**RockSalt Pilates**", the "**Franchisor**" or "**we**") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a "**RockSalt Pilates Studio**" ("**Business**" or "**Studio**"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

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

   a. _______________,202__ Initials ______________ — The date of my first face-to-face meeting with any person to discuss the possible purchase of a Studio franchise.

   b. _______________,202__ Initials ______________ — The date on which I received Franchisor's Franchise Disclosure Document ("**FDD**").

   c. _______________,202__ Initials ______________ — The date when I received a fully completed copy other than signatures) of the Franchise Agreement and Addenda if any) and all other documents I later signed.

   d. _______________,202__ Initials ______________ — The date on which I signed the Franchise Agreement.

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

   Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

   Yes _____ No _____

   If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? Attach additional pages, as needed.)

____________________________________________________________

____________________________________________________________

____________________________________________________________

4. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

6. 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, as needed.)

____________________________________________________________

____________________________________________________________

____________________________________________________________

7. Have you discussed the benefits and risks of establishing and operating a Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

Yes _____ No _____

10. Do you understand that there are no promises, agreements, “side deals,” arrangements, written or oral that are not in the Franchise Agreement.

Yes _____ No _____

11. If you have answered No to any one of questions 7-10, please provide a full explanation of each No answer in the following blank lines. Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 7-10, please leave the following lines blank.

________________________________________________________________

________________________________________________________________

________________________________________________________________

12. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a Business operated by the Franchisor or its franchisees, that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Business that is contrary to the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the total amount of revenue the Business will generate, that is contrary to the information contained in the FDD?

Yes _____ No _____

15. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating the Business that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

16. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Business?

Yes _____ No _____

17. Has any employee or other person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

19. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

20. If you have answered Yes to any one of questions 12-19, please provide a full explanation of each Yes answer in the following blank lines. Attach additional pages, as needed, and refer to them below.) If you have answered No to each of questions 12-19, please leave the following lines blank.

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

21. Do you understand that all disputes and claims you may have against the Franchisor must be heard in the courts of **Colorado** if not resolved informally or by mediation)?

Yes _____ No _____

22. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

23. Do you understand that the Franchise Agreement and the personal guarantee includes a waiver of jury trials?

Yes _____ No _____

24. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes _____ No _____

25. During my negotiations and evaluations leading up to my decision to buy a Studio franchise, I communicated with the following individuals employed by the Franchisor or its affiliates, or independent brokers:

Name Address

1. ______________________________________________________________

2. ______________________________________________________________

3. ______________________________________________________________

4. ______________________________________________________________

[Insert additional names and addresses below if needed]

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully, accurately, and completely to each of the above questions.

FRANCHISE APPLICANT

Signed: __________________________

Name: ___________________________

Date: ___________________________

# <u>EXHIBIT J</u>

## STATE EFFECTIVE DATES & RECEIPT

## EXHIBIT J

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

| STATE | EFFECTIVE DATE |
|---|---|
| CALIFORNIA | |
| HAWAII | Not Registered |
| ILLINOIS | Not Registered |
| INDIANA | Not Registered |
| MARYLAND | Not Registered |
| MICHIGAN | Not Registered |
| MINNESOTA | Not Registered |
| NEW YORK | Not Registered |
| NORTH DAKOTA | Not Registered |
| RHODE ISLAND | Not Registered |
| SOUTH DAKOTA | Not Registered |
| VIRGINIA | Not Registered |
| WASHINGTON | Not Registered |
| WISCONSIN | Not Registered |

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

**RECEIPT**
**(Retain This Copy)**

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

Under Iowa or Rhode Island law, if applicable, RockSalt Pilates Franchise, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires RockSalt Pilates Franchise, LLC to give you this Franchise Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If RockSalt Pilates Franchise, LLC does not deliver this Franchise 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 to the appropriate state agency listed in **Exhibit D**.

RockSalt Pilates Franchise, LLC authorizes the respective state agencies identified on **Exhibit D** to receive service of process for it in the particular state.

| The name, principal business address, and telephone number of each franchise seller offering the franchise is: |
|---|
| Peter Belesis, 306 E. 5th Avenue, San Mateo, CA 94401, (650) 394-5579<br>Adrian Ramirez, 306 E. 5th Avenue, San Mateo, CA 94401, (650) 394-5579 |

Issuance Date: January 31, 2025

I received a disclosure document issued January 31, 2025 which included the following exhibits:

| | |
|---|---|
| Exhibit A | Financial Statements |
| Exhibit B | Franchise Agreement |
| Exhibit C | Multi-Unit Development Agreement |
| Exhibit D | List of State Administrators/Agents for Service of Process |
| Exhibit E | State Addenda and Agreement Riders |
| Exhibit F | Contracts for use with the Franchised Business |
| Exhibit G | Franchise Operations Manual Table of Contents |
| Exhibit H | List of Current and Former Franchisees |
| Exhibit I | Statement of Franchisee |
| Exhibit J | State Effective Dates & Receipt |

| ______________________ | ______________________ | ______________________ |
|---|---|---|
| Date | Signature | Printed Name |
| ______________________ | ______________________ | ______________________ |
| Date | Signature | Printed Name |

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**RECEIPT**
**(Our Copy)**

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

Under Iowa or Rhode Island law, if applicable, RockSalt Pilates Franchise, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires RockSalt Pilates Franchise, LLC to give you this Franchise Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If RockSalt Pilates Franchise, LLC does not deliver this Franchise 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 to the appropriate state agency listed in **Exhibit D**.

RockSalt Pilates Franchise, LLC authorizes the respective state agencies identified on **Exhibit D** to receive service of process for it in the particular state.

| The name, principal business address, and telephone number of each franchise seller offering the franchise is: |
|---|
| Peter Belesis, 306 E. 5th Avenue, San Mateo, CA 94401, (650) 394-5579<br>Adrian Ramirez, 306 E. 5th Avenue, San Mateo, CA 94401, (650) 394-5579 |

Issuance Date: January 31, 2025

I received a disclosure document issued January 31, 2025 which included the following exhibits:

Exhibit A Financial Statements
Exhibit B Franchise Agreement
Exhibit C Multi-Unit Development Agreement
Exhibit D List of State Administrators/Agents for Service of Process
Exhibit E State Addenda and Agreement Riders
Exhibit F Contracts for use with the Franchised Business
Exhibit G Franchise Operations Manual Table of Contents
Exhibit H List of Current and Former Franchisees
Exhibit I Statement of Franchisee
Exhibit J State Effective Dates & Receipt

| Date | Signature | Printed Name |
|---|---|---|
| Date | Signature | Printed Name |

**Please sign this copy of the receipt, date your signature, and return it to RockSalt Pilates Franchise, LLC,** franchise@rocksaltpilates.com.