FRANCHISE DISCLOSURE DOCUMENT

S T A R C Y C L E®

STARCYCLE FRANCHISE, LLC
An Oregon limited liability company
375 Second Street
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Phone: (503) 303-4498
Website: www.starcycleride.com

StarCycle Franchise, LLC offers franchises for the operation of fitness studios under the brand name "**StarCycle®**" providing indoor cycling exercise classes utilizing music and choreography, as well as the retail sale of exercise merchandise and assorted other related services and products specified by us (each a "**StarCycle Studio**").

The total investment necessary to begin operation of a StarCycle Studio franchise is $238,525 to $462,400. This includes $28,500 to $52,500 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation under a StarCycle Studio Area Development Agreement is between $278,525 to $622,400. This includes $60,000 (for the right to develop two Studios) to $200,000 (for the right to develop 10 Studios) that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our CEO, Dionne Del Carlo, 375 Second Street, Lake Oswego, Oregon 97034; (503) 303-4498;dionne@starcycleride.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. 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 listed on Exhibit E 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 19, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
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 D 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 StarCycle 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 StarCycle franchisee?	Item 20 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 E.

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. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Oregon. 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 Oregon than in your own state.

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

3. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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

To simplify the language in this Disclosure Document, "**StarCycle**," "**We**" or "**Us**" means StarCycle Franchise, LLC, the franchisor. "**You**" or "**Franchisee**" means the business entity, including its owners, person or persons who buys the franchise and sign the Franchise Agreement.

The Franchisor, Its Parents, Predecessors and Affiliates

We are a limited liability company, organized in Oregon on November 12, 2013. We began offering franchises in October 2014. We franchise exercise studios that offer specialized indoor cycling classes, which: (i) are provided out of a physical studio location under the brand name "**StarCycle**" using our StarCycle System (defined below) and in association with the StarCycle Marks (defined below), and (ii) consist of indoor cycling exercise classes using music and choreography, as well as the retail sale of exercise merchandise, equipment and assorted other exercise and childcare related services (collectively, "**StarCycle Services**"), and products specified by us, including but not limited to clothing, footwear, accessories, novelty items, promotional merchandise and related merchandise (collectively, "**StarCycle Products**").

Although we have not operated an exercise business, our affiliate, Down Girls Up, LLC ("**Affiliate**" or "**Down Girls**") an Oregon limited liability company formed on November 26, 2012, has owned and operated two StarCycle Studios in the Portland, Oregon area since May 13, 2013. Neither we nor Down Girls conduct any other business activities, nor have either of us offered franchises in any other line of business. We do not do business under any other names.

Our principal business address and the principal business address of the Down Girls is 375 Second Street, Lake Oswego, Oregon 97034. Our agents for service of process are listed in Exhibit E.

Effective June 12, 2017, StarCycle and Down Girls entered into Membership Interest Purchase Agreements and a Revolving Line of Credit Agreement with Thomas M. Cook Investments, LLC, a Washington limited liability company ("**Lender**") controlled by Thomas Cook, a multi-unit franchisee of European Wax Centers, Taco Bell and Buffalo Wild Wings. Under these agreements, Lender acquired a 55% ownership interest in both StarCycle and Down Girls and agreed to provide funding for StarCycle's growth and development up to the amount of $1,500,000.

We have no predecessors or parents.

The StarCycle Franchise

The StarCycle Studio franchise ("**Franchise**") is an owner-developed and operated business that offers the StarCycle Products and StarCycle Services to the general public under the brand name "**StarCycle**" using our StarCycle System in association with the StarCycle Marks. "**StarCycle Marks**" means the trademark "**StarCycle**" and other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, trade dress, insignia, commercial symbols now used or to be used in connection with the StarCycle System. "**StarCycle System**" means the operating techniques that are licensed to you to use in the operation of your franchise, including our methods and procedures for the establishment, management and operation of our Studios, our confidential information, our manuals, the Marks, and other business standards, specifications and policies. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, and color scheme; furnishings; the use of a curated music selection system and staff utilization techniques; unique instructor recruitment and training techniques; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory and financial control;

training and assistance; and marketing and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

Each StarCycle franchisee is initially individually trained by us in the StarCycle Studio operations and has available ongoing assistance from us throughout the term of the Franchise Agreement. The typical StarCycle Studio is located in urban storefronts, free-standing buildings and strip malls.

You must operate your StarCycle Studio ("**StarCycle Studio**" or "**Studio**") per our standard business operating practices and sign our standard Franchise Agreement ("**Franchise Agreement**"). The Franchise Agreement grants you the right to operate a single StarCycle Studio business at one location within the "**Territory**" described in Attachment A to the Franchise Agreement or any other location as may be mutually agreed upon between us and you in writing (the "**Franchised Location**").

If you wish to acquire the right to develop a defined geographic area on an exclusive basis (a designated "**Area**"), we offer qualified candidates the opportunity to enter into an Area Development Agreement (the "**ADA**") to open and operate a specified number of Studios according to an agreed-upon multi-unit development schedule within a defined geographic Area at discounted Initial Franchise Fees. Our current form of the ADA is included as Exhibit H to this Disclosure Document.

In addition to signing the ADA, you must sign a separate then-current form of our Franchise Agreement for each Studio upon executing the commercial lease for each Studio. If you fail to open the number of Studios required by the ADA schedule, we reserve the right to terminate the ADA and retain the franchise fees that have been paid.

Your StarCycle Studio must offer all authorized StarCycle Products and StarCycle Services that we specify. We reserve the right to add, modify or delete any StarCycle Products and StarCycle Services that you must offer or sell at your Franchised Location at any time.

Franchisees may be individuals or entities that meet our then-current requirements for non-individual franchisees. These requirements include the signing of personal guarantees by all of the individuals holding an equity, member, partner or equivalent interest in the entity owning the StarCycle Studio, together with the spouses or domestic legal partners of all of such individuals.

StarCycle Studios are available to those who qualify, in our sole discretion, and who wish to open such a business. As a StarCycle Studio operator, you may operate one StarCycle Studio for each Franchise Agreement you sign with us.

Market and Competition

The market for retail fitness is developed, and the use of indoor cycling is a growing part of an exercise program. You will compete directly with local and national franchises and other businesses that offer exercise services and products such as health clubs and fitness studios. The exercise industry is changing and evolving. Studios are generally not seasonal businesses, although there may be local seasonal variations. The general market for exercise services includes changing and variable competition.

The general market for exercise services includes changing and variable competition, cost of supplies, equipment, real estate and improvements, capital and labor; your own health and continuity of your management; continuation of sources of supply, quality and availability of labor, availability of financing, recession or depression locally, nationally or internationally, wars, strikes and emergencies, natural and manmade disasters, litigation, liability and casualty losses, industry developments, pricing policies of competitors, and supply and demand. Other important general market factors are our dependence on our key personnel, the loss of whom could have an adverse effect on us, and our ability to fulfill our obligations under the franchise agreement depending in part upon our present and future financial condition.

Special Industry Regulation

You must comply with all local, state and federal laws and regulations that apply to your StarCycle Studio's operations. These laws include statutes, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act.

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your StarCycle Studio, including those which (i) establish general standards, specifications and requirements for the construction, design and maintenance of your StarCycle Studio at the Franchised Location; (ii) set standards pertaining to employee health and safety; and (iii) set standards and requirements for fire, safety and general emergency preparedness. In addition to laws and regulations that apply to businesses generally, you may be subject to laws and regulations in your state, city or county (as well as the USA Patriot Act and Executive Order 13224) applicable to health clubs or child care businesses (if you choose to provide child care services), as well as other licensure or certification requirements including those requiring background checks, proof of background clearances for each of your instructors, arrest notifications, and/or fingerprinting through Live-Scan or other methods. These regulations may include registration and bonding requirements and may require training to use and maintain safety equipment, such as automated external defibrillators. Some states require training and certification in cardio pulmonary resuscitation (CPR). Many of the laws vary from jurisdiction to jurisdiction. It is your responsibility to apprise yourself of and comply with all laws applicable to you and your StarCycle Studio business. Among the laws that apply to businesses generally are those pertaining to zoning and construction, public accommodations, accessibility by persons with disabilities, health and safety, fire codes, smoking rules, discrimination, employment, wage and hour, sexual harassment and other rules and regulations promulgated by the local and state jurisdictions, Equal Employment Opportunity Commission, Occupational Safety and Health Act, and the Environmental Protection Agency. You will also need to obtain all necessary music licenses (from ASCAP, BMI, and SESAC, etc.) and to otherwise comply with all music licensing requirements that are applicable to your operation of the StarCycle Studio using the StarCycle System.

If you offer child care at your StarCycle Studio, your state has laws that specifically apply to child care centers, and your StarCycle Studio falls within the scope of these laws, then you may be subject to some of the following types of requirements or prohibitions: (1) required annual registration of the StarCycle Studio; (2) required posting of a performance bond; (3) required safety training; (4) required teacher-to-child ratios; (5) limitations on hours of operation; (6) instructor licensing and/or accreditation; and (7) required background checks on instructors.

You must comply with federal and state labor laws. You must pay your employees in compliance with federal and state wage and hour laws. We recommend you seek the advice of a competent employment law specialist in this regard. Consider retaining the services of a qualified labor relations/human resources consultant of your choice. Consider retaining third-party providers of your own choosing for payroll and accounting services. For liability purposes, you must clarify in training and on a continual basis with your staff and in marketing to your customers that they are employed by or doing business with you and not with us.

You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your StarCycle Studio and should consider both their effect and cost of compliance before signing your Franchise Agreement.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer and Co-Founder: Dionne Del Carlo

Ms. Del Carlo has been one of our founding Members and CEO in Lake Oswego, Oregon since our inception in November 2013 as well as a Member of Down Girls in Lake Oswego, Oregon since its inception in November 2012.

Director of Training: Nate Boozer

Mr. Boozer has been our Director of Training in Lake Oswego, Oregon since February 2022. He has been Studio Manager and an instructor for the StarCycle location in Eugene, Oregon since March 2019.

Training Operations Manager: Alex Engel

Alex Engel has been our Training Operations Manager in Lake Oswego, Oregon since June 2022. She has been an instructor at our StarCycle location in Lake Oswego, Oregon since November 2018. Ms. Engel has been a Master Trainer for us in Lake Oswego and Cedar Mill, Oregon since July 2020. She has been a Lead Sales Agent for AgeRight Advantage in Portland, Oregon since September 2016.

Madison Cooper: Director of Operations

Madison Cooper has been our Director of Operations in Lake Oswego, Oregon since February 2022. She served in the following positions for our company-owned studio in Lake Oswego, Oregon from December 2017 to February 2022: Sales Associate, Studio Manager, and Operations Manager.

Haley Smith: (Independent Contractor) Chief Creative Officer

Haley Smith has been our Independent Contractor Chief Creative Officer in Castle Rock, Colorado since October 2021. She was our Social Media Manager from September 2018 to October 2021.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee of $40,000 for your StarCycle Studio (the "**Initial Franchise Fee**"). The Initial Franchise Fee is payable in a lump sum upon execution of your Franchise Agreement and is fully earned and non-refundable upon payment to us under all circumstances.

If you or an entity you control choose to purchase one or more additional franchises (not purchased simultaneously), the Initial Franchise Fee is discounted to $30,000. If you or an entity you control choose to purchase the right to develop more than one Studio in a defined geographical area over a period of time, you must enter into an ADA and pay us a separate discounted Initial Franchise Fee for each such additional Studio. In deciding control for purposes of determining whether an entity qualifies for the reduced franchise fee, we look to see whether a majority ownership of the entity are existing franchisees. The discounted Initial Franchise Fee for a commitment to open between two and four Studios is $30,000 per Studio (including for the first franchise). If you commit to open between five and seven Studios the Initial Franchise Fee per Studio is $26,000, between eight and nine Studios is $24,000 per Studio and for ten or more Studios the Initial Franchise Fee per Studio will be $20,000. All Initial Franchise Fees are payable at the time the ADA is executed.

U.S. Veteran Discount

We discount the initial franchise fee by 20% for veterans of the U.S. Armed Forces.

Grand Opening Marketing Support Fee

At the signing of your Franchise Agreement, you must pay us $2,500 for focused local marketing expenditures to be placed by us in support of your grand opening.

Initial Inventory

You must purchase your initial inventory from us, our Affiliate or another approved supplier. If you purchase the initial inventory from us, the cost of the initial inventory will range from $6,000 to $10,000.

Initial Training Program/Initial Instructor Training

The Initial Training Program for you and the Instructor Training for your pre-approved initial instructor(s) will be provided together at no cost for up to eight people (including your owners and initial instructors) at our facility currently in Lake Oswego, Oregon (but you are responsible for all travel and living expenses for yourself and your employees during the training).

ITEM 6
OTHER FEES

NAME OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Royalty Fee ("Royalty Fee")	The greater of 5% of Gross Revenue or $500 per month (2)	Monthly, on the 5th day of each month, or another period as we may determine, on the Gross Revenue of the Studio for the previous month.	Paid to us. Gross Revenue includes all revenue from StarCycle Products and StarCycle Services sold or performed at or through the StarCycle Studio, but does not include sales tax and customer refunds.
Marketing Fee (3)	2% of Gross Revenue	Monthly, on the 5th of each month, or another period as we may determine.	Payable to us and to be administered through our Marketing Fund.

NAME OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Marketing Cooperative Contributions	Established by cooperative members	Established by cooperative members	See Item 11of this Disclosure Document for information regarding marketing cooperatives.
Relocation Fee	$5,000	Upon approval of relocation request.	Payable to us if we approve your request to relocate your StarCycle Studio.
Additional Instructor Training Fee (4)	You pay our then-current training fee, which is currently $400 per additional instructor to be trained at our facility in Lake Oswego, Oregon, or $800 per additional instructor to be trained at your Studio. In addition, you are responsible for all of the costs for travel, lodging, meals and wages for your instructors to attend training at our facility, or all of the costs for travel, lodging, and meals for our training personnel for training at your Studio.	On demand	Payable to us
Renewal Fee	25% of the then-current Initial Franchise Fee	Upon extension of the term.	You are granted one 10-year option to extend the term of the Franchise.
Transfer Application Fee and Transfer Fee (5)	$300 transfer application fee due upon submitting an application for transfer, plus 50% of the then-current Initial Franchise Fee	Transfer application fee due upon submission of application and is nonrefundable. Transfer Fee due upon approval of transfer.	We retain the transfer application fee even if we do not consent to the transfer. If we approve the transfer, the application fee will be applied to the Transfer Fee. You may only transfer subject to the satisfaction of certain conditions and with our consent.
Transfer Fee (for Transfer of Minority Interest)	$500 (subject to reasonable increases to help cover our related expenses)	Upon approval of transfer	This Transfer Fee applies if the transfer only relates to a minority of the controlling and ownership interests in the Franchisee business entity (whether a single transaction or a series of transactions).

NAME OF FEE (1)	AMOUNT	DUE DATE	REMARKS
New Product or Service Fee/Supplier Testing Fee	Our reasonable expenses, which may vary	As incurred	If you propose to purchase any new product or service from a new supplier that we have not previously approved, you must submit to us a written request for this approval. We have the right to inspect the proposed supplier's facilities and merchandise. You must pay all our reasonable expenses incurred in doing so.
Annual Meetings, Conference or Mandatory Training (6)	$250 - $1,000	As incurred at time of enrollment.	Payable to us. If you fail to attend these mandatory programs, you will be required to attend a make-up program and will be charged a penalty of $1,000 for each program you fail to attend. You must pay your expenses as well as the expenses your employees incur in attending these meetings, including salaries, if applicable. The estimated range of costs is $500-$3,000 plus materials estimated at $50.
Remedial Training/Re-Certification/Re-Training/New Training (4)	The then-current training fee plus all travel expenses. See row entitled "Additional Training Fee," above, for current training fees.	As incurred	If certification is refused or rescinded at any time during the Term of the Franchise Agreement, you or your instructors must retake the Initial Training or Instructor Training, as applicable, or any portions thereof.
Late Fees and Interest	$200 plus interest on late amounts at the lesser of (i) 18% or (ii) the highest legal rate.	Continues to accrue until paid.	Payable only if any sums due us are not paid promptly when due.
Returned Check Fee (7)	$200.00 for each returned check.	On demand	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise.
Reimbursement of monies paid by us on your behalf	Varies with circumstances.	On demand	Covers cost of taxes, insurance and other payments you fail to make and which we make on your behalf.

NAME OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Gross-Up Fees	Varies with circumstances.	On demand	If any sales, income, excise, use, privilege or similar tax or assessment is imposed or levied by any taxing authority based on the payment of royalties, marketing or other fees by you under the Franchise Agreement, you must, in addition to all payments due to us, pay such tax, levy or assessment directly or reimburse us for our payment of such amount.
Interim Management Fee	$500 per day, plus all costs of operating the StarCycle Studio and the costs we incur related to transportation, lodging, and meals.	On demand and as incurred	On death or disability of you/or an owner; or, after we have given you written notice that you are in default, we may (but are not obligated to) assume interim management of the Studio.
Audit by Franchisor	Amount due plus Costs of audit. Costs may range from $1,000 - $8,000.	On demand	If an audit discloses an underpayment of Gross Revenue due to us of 2% more, you must pay us the amount in error plus our costs and expenses for the audit.
Monthly Technology Fees	You pay then-current fees, currently $149 per month	Due on the 5th day of each month, or another period as we may determine.	These fees are payable to us for certain required software and related services. Upon signing a Franchise Agreement, we may require you to sign a Software Use and License Agreement, the current form of which is attached as Exhibit I to this Disclosure Document. If deemed necessary by us for any reason, we may increase the monthly fees payable to us upon 30 days' prior notice.
Costs and Attorneys' Fees	Varies with circumstances.	On demand	You must reimburse us for our expenses in enforcing or terminating any of the Agreements.
Indemnification	Varies with circumstances.	On demand	You must reimburse and pay our attorneys' fees if we are held liable for claims from your operation of the StarCycle Studio, and/or the Franchise Agreement.
Inspection (8) Costs/Reimbursement	Varies with circumstances.	On demand	Payable to us

All fees are imposed by and are payable to us, unless otherwise noted. Any interest owed begins to accrue from the date of underpayment. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are non-refundable unless otherwise noted. Unless otherwise noted, all fees are uniformly imposed and collected.

Notes:

1) General. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and/or perform all acts and deliver and execute all documents, including authorization (in the form attached to the Franchise Agreement or any other form that we may accept). If you have not timely reported your StarCycle Studio's Gross Revenues to us for any reporting period, then we are authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the Studio's Gross Revenues was provided to us or (b) the amount due is based on information retrieved from our approved computer system. You pay all fees to us or our Affiliates, unless otherwise noted. Fees paid to us or our Affiliates are nonrefundable under any circumstances once paid. Fees paid to third parties may or may not be refundable depending on your arrangement with the third party.

2) Gross Revenues. "**Gross Revenues**" means the total of all revenue and receipts from all sales of StarCycle Products and StarCycle Services at and through your StarCycle Studio, and all other products and services sold or performed by or for you or your StarCycle Studio or by means of the business conducted under the Franchise Agreement, whether for cash or credit, checks, gift certificates, payment coupons, services, property or other means of exchange, including any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent a claim is paid by the insurer, but excluding: (1) all sales or service taxes collected from customers and paid or payable to the appropriate taxing authority; and, (2) only customer refunds, valid discounts and discount coupons, and credits made by the StarCycle Studio which are issued pursuant to StarCycle's standard policies and specifications (exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

3) Marketing Fee. We maintain a national Marketing Fund which charges 2% of your Gross Revenues per month as a national marketing Fee.

4) Additional Training Fees. You must complete the Initial Training, and you and each of your initial instructors at your StarCycle Studio must complete the Instructor Training program to StarCycle's satisfaction prior to commencement of operations. If either you or any your instructor(s), as applicable, do not satisfactorily complete the Initial Training or Instructor Training courses at any time during the term of the Franchise Agreement, that person may be required to take additional training or retraining training courses. StarCycle may also require you and your instructors to take additional training or retraining training courses throughout the term; the content of these programs may include new techniques, sequencing or other fitness programs. We may require you to pay us our then-current Instructor Training Fee, additional training fee, or retraining training fee, as applicable, for each participant attending such programs throughout the Term, which includes all new instructors you hire. Training for new instructors is typically three days but is subject to change. We have the right to increase or decrease training fees at any time.

5) Transfer Application Fee & Transfer Fee. You must pay a nonrefundable $300 transfer application fee at the time you submit an application to transfer or relocate your StarCycle Studio(s) location or Territory(ies). If the transfer is approved, the transfer application fee will be applied to the Transfer Fee. You or the transferee must pay a transfer fee of 50% of the then-current Initial Franchise Fee for each Franchised Location or Territory approved for transfer ("**Transfer Fee**"). If we are involved in helping you sell the StarCycle Studio, we also may charge a sales commission in addition to the Transfer Fee. No

Transfer Fee is required if you transfer your StarCycle Studio to a business entity in which you own the majority of the company's issued equity securities, or if you transfer your StarCycle Studio to your child, parent, sibling or spouse.

6) Annual Conference Fee/Mandatory Meeting Fee. We reserve the right to conduct periodic meetings of all StarCycle franchisees that you must attend, and we may charge you $250-$1,000 to defray our direct costs. If you do not attend our annual franchisee meeting, or any other mandatory meeting, you must pay us $1,000 as penalty, regardless of cause for non-attendance.

7) Return Check Fee. StarCycle may require you to establish a deposit account with a designated financial institution to collect monies from you via Electronic Funds Transfer (EFT). In the event of a returned check or insufficient funds from your EFT account, you must pay a fee of $200 per occurrence.

8) Inspection Cost Reimbursement. We or our representative may, at any time, with or without notice, inspect, monitor and observe the operations of your StarCycle Studio, and may visit the StarCycle Studio and utilize mystery shoppers, consumer surveys and other methods. You must cooperate with our requests and must promptly implement and correct any deficiency identified by us during any inspection within the time frames we specify. We also reserve the right to conduct customer surveys of your Instructors and may require Instructors receiving unsatisfactory results to be re-certified. If we visit your StarCycle Studio in response to a third-party complaint, you must reimburse us for all of its costs and expenses we incur in relation to the visit.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(Single Franchise Agreement)

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee (1)	20,000	$40,000	Cash	At Signing	Us
Pre-opening training Expenses (2)	$1,025	$15,000	As Arranged	Before Opening	Suppliers of Transportation, Food and Lodging; Your Employees
Real Estate Lease and Security Deposit (3)	Varies	Varies	Cash	As Required	Landlord
Permits	$3,000	$5,000	Cash	As Incurred	City, County, State
Construction and Remodeling (including Architect & Engineering Expenses) (4)	$137,000	$250,000	As Arranged	As Incurred	Contractor
Signage (Interior/Exterior, and Mural)	$8,000	$13,000	As Arranged	As Incurred	Approved Supplier

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Computer Hardware and Software	$2,500	$4,500	As Arranged	As Incurred	Approved Supplier
Bikes (5)	$3,000	$40,000	As Arranged	As Incurred	Designated Supplier
Other Equipment/Furnishings/ Fixtures (5)	$20,000	$30,000	As Arranged	As Incurred	Approved or Designated Suppliers
Initial Inventory (6)	$6,000	$10,000	As Arranged	Before Opening	Us, our Affiliate and Approved Suppliers
Your Grand Opening Marketing	$12,500	$12,500	Cash	In Conjunction with Opening	Approved Suppliers
Grand Opening Marketing Support Fee (7)	$2,500	$2,500	Cash	At Signing	Us
Insurance - Initial Deposits	$1,500	$2,500	Cash	Monthly Premium	Insurance Carriers
Business Licenses/Permits/ Incorporation Fees	$1,500	$2,400	Cash	As Incurred	Local and State Governmental Agencies
Additional Funds (3 months) (8)	$20,000	$35,000	Cash	As Incurred	Approved Suppliers and Employees
Grand Total (9)	**$238,525**	**$462,400**			

We currently do not offer financing for any purpose but reserve the right to do so in the future. We do not guarantee your note, lease or any other obligation.

Notes:

1) The Initial Franchise Fee is described in Item 5 of this Disclosure Document. The $20,000 Initial Franchise Fee is available only if you purchase the right to develop 10 or more Studios.

2) You must make arrangements for and pay the expenses of persons attending our Initial Training Program and Initial Instructor Training (as defined in Item 11), including transportation, lodging, meals and wages. Your actual expenses will depend, in part, on the distance you must travel and the type of accommodation you choose. If we agree to provide on-site training to you at your StarCycle Studio location, then you will pay us our then-current training fees and all travel expenses, including transportation, accommodation and meal expenses, we or our trainer incur in providing the training.

3) You must purchase or lease a location accepted by us and construct, remodel, alter and improve it to our specifications. We cannot estimate real property costs, including lease rent and security deposits, because such costs vary widely based on size, condition and location. A typical StarCycle Studio will be located in an urban storefront, free-standing building, strip mall, or outdoor lifestyle shopping center. The size of a typical Studio will be 1,800 to 2,500 square feet. Your rent will generally be a fixed base rent

plus triple net charges. Your lease may also provide for percentage rent, which will be a percentage of your revenue at the Studio. The exact amount of the percentage rent will be negotiated by you and the landlord.

4) The low-end of this estimate assumes a substantial contribution by the landlord for tenant improvements. This estimate includes the costs related to professional services including architectural, engineering, design and construction for the development of your Franchised Location. The designated contractor must perform any construction, remodeling or additions necessary to conform the Franchised Location with applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations and to meet our requirements for the layout design, construction, fixturization, equipment and installation, and trade dress appearance of a StarCycle Studio. Construction and remodeling costs ("**Construction Costs**") vary widely, depending upon the location, design, configuration and condition of the premises, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, and the terms of your lease. The Construction Costs presented include all estimated costs incurred in construction and remodeling a location to conform to our standards, including a general contractor's fee (generally equal to 10% to 15% of total construction costs); contractor's insurance; materials and supplies; tools; labor and subcontractor fees; and other costs to construct leasehold improvements conforming to our standards.

5) Furniture, fixtures and equipment include indoor bikes, fitness equipment and supplies, sound system, weights, printer, cable, washer/dryer, cubbies, kids' accessories, TVs, DVD players, water fill station, coat rack, desks, retail displays, benches, changing table, chairs, counters, bikes maintenance equipment and all interior design elements. You are required to purchase a minimum of 24 bikes for your Studio. Currently, you have the option to lease rather than to purchase the bikes from our designated supplier. The low-end of the estimate for bikes reflects the low-end estimate to lease bikes for the initial three months (at $1,000 per month). The equipment generally may be financed. Some lenders lend 100%, while others will only finance 70%, depending on your credit worthiness. You must provide all standard services we designate periodically.

6) You must purchase inventory as outlined in the Operations Manual. This may include, for example, shirts, shoes, water bottles, bandanas, and shopping bags (some of which may carry the StarCycle brand). We may require you to purchase minimum quantities of inventory at specific times, including seasonal and special event merchandise.

7) At the signing of your Franchise Agreement, you must pay us $2,500 for focused local marketing expenditures to be placed by us in support of your grand opening.

8) These estimates do not include managerial salaries, wages for employees or any payment to you. These estimates also do not take into account the finance charges, interest and related costs you may incur if any portion for the initial investment is financed. In addition, you will have other usual expenses involved in establishing a business. They may include, but are not limited to, professional fees for lawyer and/or accountant, deposits, taxes, recruiting expenses, utility costs, and office supply expenses.

These amounts are the minimum recommended levels to cover operating expenses, including music license fees for 3 months. However, we do not guarantee that those amounts will be sufficient. Additional working capital may be required if revenue is low or fixed costs are high. You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the risks and contingencies of the StarCycle Studio for at least 3 months. The disclosure laws require us to include this estimate of all costs and expenses to operate your StarCycle Studio during the "**initial phase**" of your business, which is defined as a 3-month period, or longer if "**reasonable for the industry**." We are not aware of any established longer "**reasonable period**" for this industry, so our disclosure covers a 3-month period.

9) These estimates are based upon the experience of our affiliate and franchisees in opening and operating company-owned and licensed StarCycle Studios in the Portland, Oregon area. These figures are estimates and StarCycle cannot guarantee that you will not have additional expenses starting the Business. Your costs will depend on factors such as how closely you follow StarCycle's methods and procedures, your skill, experience and business acumen, local economic conditions, local commercial leasing, labor rates and build-out costs, the local market, competition, your clients and the number of classes you conduct. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. All amounts are non-refundable unless otherwise noted.

YOUR ESTIMATED INITIAL INVESTMENT
(Area Development Agreement)

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee for Area Developer (1)	$60,000 (for the right to develop two Studios)	$200,000 (for the right to develop 10 Studios)	Cash	At Signing	Us
Other Expenditures for First Location (2)	$218,525	$422,400	As disclosed in first table above	As disclosed in first table above	As disclosed in first table above
Grand Total	**$278,525**	**$622,400**			

1) The discounted Initial Franchise Fee for a commitment to open between two and four Studios is $30,000 per Studio (which is the same as the discounted Initial Franchise Fee for franchises not purchased simultaneously). If you commit to open between five and seven Studios the Initial Franchise Fee per Studio is $26,000, between eight and nine Studios is $24,000 per Studio, and for ten or more Studios the Initial Franchise Fee per Studio will be $20,000. All Initial Franchise Fees are payable at the time the ADA is executed.

2) If you sign an Area Development Agreement for the right to develop multiple franchises, you should expect to incur these same expenses and fees for each separate franchise you develop, subject to inflation and other increases over time.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase all equipment, supplies, products and services from approved or exclusively designated suppliers, or our specifications as we designate. We and our affiliates may be approved or exclusively designated suppliers.

Goods, Supplies, Inventory and Services. You must purchase, use and offer for sale all of, and only, the StarCycle Products and StarCycle Services we authorize. This restriction limits the types, brands and/or quality of merchandise and products and services you may sell or provide at your StarCycle Studio. As of the issuance date of this disclosure document, except as provided in this Item 8, you are not required to purchase merchandise from us, our Affiliate or a supplier we approve. You must purchase StarCycle branded items from us, our Affiliate, or suppliers we designate. If you purchase any StarCycle Products or StarCycle Services from us or our Affiliate, we or our Affiliate may derive profits from these purchases.

Optional Real Estate Brokerage Firm. Currently, you have the option to use our approved national real

estate brokerage firm to help identify your Franchise Location site and assist with lease letter of intent negotiations.

Inventory. You must purchase inventory as outlined in the Operations Manual from our designated supplier(s). This may include, for example, shirts, shoes, water bottles, bandanas, and shopping bags (some of which may carry the StarCycle brand). We may require you to purchase minimum quantities of inventory at specific times, including seasonal and special event merchandise.

Construction, Design and Buildout. You must construct, design and build-out the StarCycle Studio in compliance with the Operations Manual. Currently, you must use the construction management company we designate. Your service providers must follow our specifications and must not deviate from such specifications without obtaining our prior written consent. We may recommend an architect. Your architect's proposed architectural designs are subject to our prior approval.

Indoor Bikes. You must purchase the exercise bikes and pedals that we require you to use in your StarCycle Studio, from our exclusively designated supplier(s). You must order the indoor bikes and accompanying equipment from our designated supplier for your Studio within one week of signing your Franchise Agreement and have three to five bikes shipped immediately for training purposes. You must install the bikes at least 1 to 2 weeks prior to opening your Studio for business. If the bikes are damaged or defective in any way, you must replace and repair the bikes at your own expense.

Furniture, Fixtures and Equipment. You must purchase and install, at your expense, all other fixtures, furnishings, equipment, including equipment for strength and fitness training, decor and signs as we direct. You may not install any merchandise, furnishings, interior or exterior decor items, supplies, fixtures or equipment in your Studio unless they have been approved by us in writing. You must purchase these items from an approved or designated supplier, which may include us or our affiliates. You must purchase indoor bikes, StarCycle Products, including clips, pedals, cleats, shoes, hand weights, and the StarCycle Services from our exclusive suppliers to maintain uniformity of the StarCycle System. We may also specify certain packaging, computer hardware, software, modems and peripheral equipment or other merchandise, supplies, services and other equipment and fixtures for your Studio. You may buy these items from our designated suppliers. As of the issuance date of this disclosure document, other than the items mentioned above, you are not obligated to purchase from a particular approved supplier, but must use specific brands of equipment, and in some situations certain comparable brands of equipment may be acceptable, subject to our prior written approval. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of Product and Service. Upon request, we will furnish to you an approved list of suppliers which we may update periodically. You must operate your StarCycle Studio in strict compliance with the standard procedures, policies, rules and regulations contained in the Manuals.

Computer Systems. Currently, you must purchase or lease a computer system that meets the specifications set forth in the "**Manuals.**" You must purchase required software and/or software as a services (SAAS) from us, designed suppliers, and/or approved suppliers as we designate. You will be required to maintain your computer system in good repair and working order, including installing program software updates we specify or supply or purchase from approved vendors. You must enter into, comply with all terms and pay all fees that may be due under all software license agreements for any software you are required to use in the operation of your StarCycle Studio, as prescribed by us.

Sound System and Music Requirements. You must purchase a sound system that meets our specifications, which may require a specific brand or type of sound system. You must comply with all of our requirements and standards relating to the music used in your StarCycle Studio, as prescribed in the Manuals, and must acquire all necessary music licenses, pay all applicable royalties and fees and otherwise comply with all applicable laws, rules and regulations relating to the use of music in your StarCycle Studio.

Approval of Suppliers. We and our Affiliate may sell certain supplies, equipment and other materials to you and our other franchisees. With the exception of the initial training programs (for which we are the only approved supplier), there are currently no products or services for which we or our Affiliate are the sole approved supplier, but all products and services you offer for sale must be approved by us in writing prior to sale.

If you wish (i) to purchase or lease any fixtures, products, equipment, supplies, or services not previously authorized by us, or (ii) to obtain any StarCycle Product or StarCycle Service from a new or different supplier, you must submit a written request for approval of the new product or service and its supplier to us in writing including the name, manufacturer and supplier of the proposed product or service, along with the supplier's specifications, cost and uses and any other information we request. We will review your request and respond in writing within 30 days of receipt of all information requested by us. You must reimburse us for our reasonable expenses for testing the new product or service. In the event a product will include a StarCycle Mark, the supplier must execute a license agreement in a form acceptable to us. We are not required to approve any particular Product, Service or supplier. If we deny your request, you may not use the product, service or supplier. Until and unless we notify you in writing that we have approved the Product, Service or supplier, the Product, Service or supplier will be deemed disapproved. We may, in our sole discretion, withdraw approval of any product, service or supplier at any time. We may inspect and evaluate the supplier's facilities and merchandise before we approve or disapprove your proposed supplier. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community, and that its merchandise and services are reliable.

We will notify you if we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees. We do not currently, but may in the future, negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your StarCycle Studio is located, you must participate in the purchasing program.

We estimate that 85% of your expenditures in establishing your StarCycle Studio and 85% of your ongoing expenditures for the operation of your StarCycle Studio during the term of your Franchise Agreement will be subject to sourcing restrictions (meaning they must be purchased from suppliers that have been approved by us or that must meet our standards or specifications).

We do not provide or withhold material benefits to you based on whether or not you purchase through the sources we designate or approve except, that your purchase of items from unapproved suppliers would breach your Franchise Agreement and subject you to possible termination of your Franchise Agreement and other remedies under applicable law. Except for the potential volume discounts and rebates from our approved suppliers, we do not expect to receive benefits from approved suppliers; however, we reserve the right to do so in the future.

Presently there are no purchasing or distribution cooperatives. None of our officers owns an interest in any approved supplier.

We and our affiliate may derive revenue from providing products and services directly to our franchisees. During our fiscal year ending September 30, 2022, our affiliate did not receive such revenue, but we received such revenue in the amount of $126,916, which was 30.1% of our total revenue of $421,559 as reflected on our most recent audited financial statements.

We also reserve the right to negotiate purchase arrangements with suppliers and distributors for StarCycle approved StarCycle Products, and the right to receive volume rebates, discounts, price adjustments or payments on your purchases of those items from approved or designated suppliers. During our fiscal year

ending September 30, 2022, we received such funds in the amount of $0, which was 0% of our total revenue. We are entitled to keep any and all rebates and similar payments for our own use and account, including compensation for administrative expenses incurred in managing suppliers or developing products, programs or services.

Improvements. If you develop any new concept, process or improvement in the StarCycle System, copyrightable materials, website or any other document relating to the StarCycle System (an "**Improvement**"), you must fully disclose the Improvements to us and obtain our written approval before using the Improvements. Any such Improvement will become our property and may be used by us and all other franchisees without any obligation to you for royalties, other fees or otherwise. You must assign, all right, title and interest in and to any Improvements, including the right to grant sublicenses to any such Improvement. To the extent that such assignment is not permissible under applicable law, you will provide us an exclusive, perpetual and royalty free right to use, and license the use of, the Improvements to others.

Insurance. You must obtain and maintain during the term of the Franchise Agreement insurance policies protecting you and us and our Affiliate and any other persons we designate. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Studio is located, with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide. These policies must include the coverage required by us and our Affiliate, which generally, include: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on the StarCycle Studio and all fixtures, equipment, supplies and other property used in the operation of the StarCycle Studio, for full repair and replacement value of the machinery, equipment and improvements, including full coverage for loss of income resulting from damage to the StarCycle Studio without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum 6 months loss of income, including coverage for royalty fees naming us as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate; (iv) automobile liability insurance, including owned, hired and non-owned vehicle coverage with a minimum combined single limit of $1,000,000 per claim (v) workers' compensation and employer's liability insurance covering all of Franchisee's employees (vi) umbrella liability insurance which also includes child care, employer's liability and automobile liability, with minimum limits of $2,000,000 per occurrence; (vii) StarCycle Franchise, LLC and each of its affiliates, owners, officers, directors, agents, and employees (as may be specified by Franchisor) as named additional insureds on all liability policies required by this subparagraph; (ix) any other such insurance coverages or amounts as required by law or other agreement related to the StarCycle Studio. You may offer childcare services as an incidental part of your Business. The Manuals will provide standards for build out, design and operational procedures for a childcare room at your StarCycle Studio. You may be required to obtain additional permits, licenses and other requirements to provide childcare services. StarCycle is not responsible for advising you about these additional requirements.

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.

OBLIGATION	SECTION(S) IN AGREEMENT	DISCLOSURE DOCUMENT ITEMS
a. Site selection and acquisition/lease	Sections 4.1, 5, 6.1 and 7 of the Franchise Agreement	Items 7, 8 and 11

OBLIGATION	SECTION(S) IN AGREEMENT	DISCLOSURE DOCUMENT ITEMS
b. Pre-opening purchases/leases	Sections 7, 10, 11 and 12 of the Franchise Agreement	Items 5, 7, 8 and 16
c. Site development and other pre-opening requirements	Section 6 of the Franchise Agreement	Items 7, 8, 11 and 16
d. Initial and ongoing training	Section 6.3 of the Franchise Agreement	Items 6 and 11
e. Opening	Sections 6.4 and 6.5 of the Franchise Agreement	Items 6, 7 and 11
f. Fees	Sections 1.3, 6, 8, 10, 13, 17.4, 19.10 and 20 of the Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/ Manuals	Sections 6.7, 7 and 9 of the Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 3, 4 and 14 of the Franchise Agreement	Items 11, 13 and 14
i. Restrictions on merchandise/services offered	Section 4 of the Franchise Agreement	Items 8 and 16
j. Warranty and member service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Sections 6 and 11 of the Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 2, 6.6, 6.10 and 7 of the Franchise Agreement	Items 7 and 16
n. Insurance	Section 11 of the Franchise Agreement	Items 8 and 16
o. Advertising	Section 10 of the Franchise Agreement	Items 6, 7, 11 and 13
p. Indemnification	Section 11 of the Franchise Agreement	Items 6 and 12
q. Owner's participation/ management/staffing	Section 6.7 of the Franchise Agreement	Item 15
r. Records and reports	Section 9 of the Franchise Agreement	Item 11
s. Inspections and audits	Section 9 of the Franchise Agreement	Items 6 and 11
t. Transfer	Section 10 of the Franchise Agreement	Items 6 and 17
u. Renewal	Section 2 of the Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Section 17 of the Franchise Agreement	Items 6 and 17
w. Non-competition covenants	Section 14.2 and Attachment C of the Franchise Agreement	Item 17
x. Dispute resolution	Section 19 of the Franchise Agreement	Item 17
y. Taxes and Permits	Sections 6.1 and 6.7 of the Franchise Agreement	Items 1 and 7
z. Computer hardware and software	Section 6.12 – 6.15 of the Franchise Agreement	Items 8, 11 and 16

ITEM 10
FINANCING

Neither we, nor any agent or affiliate of ours, offers direct or indirect financing. We do not guarantee your loan, leases or other obligations.

Franchisees of the StarCycle franchise program may be eligible for a Small Business Administration (SBA) loan by following the SBA loan application process and executing the mandatory, non-negotiable SBA Addendum, which is Attachment I to the Franchise Agreement.

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

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

Before Opening

We have the following obligations to you before you open your StarCycle Studio for business:

1) We will designate your Site Search Area Territory and refer you to our optional national real estate brokerage firm for assistance in identifying a site. (Franchise Agreement, Section 5.2).

2) We will review and approve, as applicable, your lease for the StarCycle Studio and any ongoing amendments, modifications and renewals to the Lease. (Franchise Agreement, Section 5.2).

3) We will provide you with general design specifications for the StarCycle Studio. (Franchise Agreement, Section 5.2).

4) We will provide an Initial Training Program, as defined in Item 11, for you, or your majority owner; and Instructor Training for you and your initial instructor(s). (Franchise Agreement, Section 5.2).

5) We will provide you with advice regarding supplies and materials used and the StarCycle Products and StarCycle Services offered at the StarCycle Studio. (Franchise Agreement, Section 5.2).

6) After you sign your Franchise Agreement, we will loan you one copy of our Operations Manual, which may consist of one or more manuals ("**Manuals**"), to use during the term of the Franchise Agreement by hard copy or via the intranet. The Table of Contents of the Operations Manual is attached to this Disclosure Document as Exhibit C. As of the date of this Disclosure Document, the Operations Manual had a total of 150 pages. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. We may, from time to time, update or change the Manuals in our sole discretion. (Franchise Agreement, Section 5.2).

7) We will provide you up to 3 days' pre-opening consultation and advice at your Studio. (Franchise Agreement, Section 5.2).

After Opening

We have the following obligations to you before you open your StarCycle Studio for business:

1) We will make a representative reasonably available to communicate with you by telephone via e-mail during normal business hours, if we feel it is necessary. (Franchise Agreement, Section 5.3).

2) We will conduct additional or retraining courses for you and your employees from time to time. You will pay all required then-current training fees for us and our instructors' participation in these courses. (Franchise Agreement, Section 5.3).

3) We will furnish guidance to you on: (1) methods, specifications, standards, management and operating procedures used in the StarCycle Studio; and, (2) approved equipment, fixtures, furnishings, signs, products, materials and supplies through the Manuals, bulletins, the internet, DVDs, CD ROMs, written materials, reports and/or telephonic consultations. (Franchise Agreement, Section 5.3).

4) We will develop and design new StarCycle Products, StarCycle Services, operations methods or programs for the StarCycle Studio, as we deem necessary from time to time. You will pay any fees associated with the training for, or implementation of, any new StarCycle Products, StarCycle Services, operations methods or programs and will offer for sale all new StarCycle Products or StarCycle Services we require. (Franchise Agreement, Section 5.3).

5) We maintain the Marketing Fund which is used to develop promotional and marketing programs for StarCycle Studios generally. (Franchise Agreement, Section 5.3).

All training will be subject to our availability and that of our agents. Training may not be provided in contiguous time periods.

Delegation of Obligations

Our obligations may be performed by any of our employees or agents as we may direct. You consent and agree to the delegation of our obligations to a designee, employee or agent of ours in your Franchise Agreement. (Franchise Agreement, Section 20.11).

Real Estate

You are solely responsible for locating the Franchised Location, within 90 days after you sign the Franchise Agreement, subject to our acceptance (the "**Premises Deadline**"). You have the option to use the services of our approved national real estate brokerage firm for this task. You must identify a proposed site for your StarCycle Studio and submit a description of the premises, current zoning, demographic information and other information we require for a proposed site to us. Unless we notify you in writing within 10 business days after you have submitted the information that your proposed site has been approved, the proposed site will be deemed rejected. We may, however, consent to an extension of the Premises Deadline, for which you will pay an extension fee of $2,000. We reserve the right to waive all or part of the extension fee. (Franchise Agreement, Section 6.1).

You must construct, equip and improve the StarCycle Studio in compliance with our specifications as set forth in the Manuals. You may not relocate your StarCycle Studio without our prior written consent. If you wish to move or relocate the Franchised Location at any time during the Term, you must submit information about the proposed new location to us for approval simultaneously pay us a nonrefundable "**Relocation Fee**" in the amount of $5,000. (Franchise Agreement, Section 1.3, 6.1).

If you do not already have a location when you sign your Franchise Agreement, you must lease or purchase a site for your StarCycle Studio promptly following signing the Franchise Agreement. You must obtain our prior written approval of any lease or purchase agreement to be signed. You must sign a lease and our standard Addendum to Lease in our favor (Attachment D to the Franchise Agreement) or consummate a purchase of the Franchised Location within 45 days after we approve the lease or purchase agreement for the Franchised Location (the "**Lease/Purchase Deadline**"). You must submit your proposed lease to us for approval at least 15 days before you sign it and provide a fully signed copy within 15 days following

signing. After we approve the Franchised Location and before you sign the lease, you must not alter or modify the lease, purchase agreement, our standard Addendum to Lease or any other document we approve in relation to the acquisition of the Franchised Location (collectively, the "**Acquisition Documents**"). Within 15 days after signing the Acquisition Documents, you will deliver signed copies of the Acquisition Documents to us. If you fail to sign a lease or purchase agreement for the Franchised Location, by the Lease/Purchase Deadline, we may grant you a 60-day extension of the Lease/Purchase Deadline if you seek our prior written consent before expiration of the Lease/Purchase Deadlin**e** and pay us an extension fee of $2,000. We reserve the right to waive the extension fee in our sole discretion. (Franchise Agreement, Section 6.1).

Length of Time to Open Studio or Begin Business

You must complete our Initial Training Program, obtain financing, complete all pre-opening obligations and open your Studio within nine (9) months or such other period we agree upon (the "**Commencement Deadline**"). We may terminate the Franchise Agreement if you fail to comply with the Commencement Deadline. (Franchise Agreement, Section 6.4). We may terminate the Franchise agreement and you will forfeit your Initial Franchise Fee if you and we cannot agree on a site.

Requirements for Opening

You may not open your StarCycle Studio until: (1) we notify you in writing that all of your development obligations have been fulfilled; (2) the Initial Training Program and Instructor Training have been completed by you and your initial instructors to our satisfaction; (3) all amounts due to us and our suppliers have been paid; (4) you have furnished us with copies of all required insurance policies and certificates, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met, including obtaining all licenses and permits to operate the StarCycle Studio; and (6) you have ordered, received, and installed all required fixtures, equipment, furniture, supplies, inventory, and computer hardware and software. You will begin operating the StarCycle Studio immediately after we determine that the StarCycle Studio is ready for opening. (Franchise Agreement, Section 6.5).

A StarCycle Studio usually opens for business six (6) to nine (9) months after the Franchise Agreement is signed or the Franchised Location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location that we will accept; to obtain any financing you need; to obtain required permits and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration and improvement of the Franchised Location, including the installation of fixtures, equipment and signs; to complete our Initial Training Program and to complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

Computer System

You must purchase or lease the computer hardware and software, software as a service (SAAS) subscriptions, dedicated telephone and power lines, modems, printers, and other computer-related accessories or peripheral equipment that we approve, according to our specifications. The computer hardware and software are for recording revenue, client appointments, scheduling, data analytics, point of sale, communications, reporting, and other record keeping and central functions. The requirements relating to the computer, information processing and communication systems, including all applicable hardware, software and Internet and other network access providers, and Web-cam vendors, that you must maintain are prescribed in the Manuals, and may be modified periodically by us. You must participate in software training provided directly by Mariana Tek (or its replacement), which is currently a required SAAS provider. This training is typically conducted by telephone with a representative of Mariana Tek and

typically includes approximately 12 to 15 hours of telephone training and homework. (Franchise Agreement, Sections 6.7(m) and Section 6.14).

We may require you to sign a Software Use and License Agreement, the current form of which is attached to this Disclosure Document as Exhibit I, which requires payment of monthly software maintenance/service fees and the use of any software used in connection with the StarCycle System. You must use our required software, database management and intranet system as the exclusive means for tracking and maintaining customers, vendors, and leads, and such other uses as we prescribe in the Manuals or otherwise. We will have the right to have independent access to information and data generated and stored on your computer systems for any purpose, including the right to access and poll financial information from the StarCycle Studio. There are no contractual limitations on our right to access such information and data. (Franchise Agreement, Section 6.14 and Section 9.1).

You must pay us a Technology Fee at our then-current rates for certain software services. As of the issuance date of this disclosure document, the Technology Fee is $149 per month for the required subscription to marketing automation software. You must pay the then-current fee to our designated provider of software for booking classes, point of sale, etc. As of the issuance date of this disclosure document, such fee is $549 per month. We may charge reasonable fees or require you to pay fees directly to providers for other software services we may require in the future. We may develop and require you to use and pay us reasonable fees for proprietary software in the future. The fees described above are in addition to any other software services you may choose to use (which may be subject to our prior approval at our discretion). Such fees are payable to us, designed suppliers, and/or approved suppliers as we designate.

The estimated cost to initially purchase a computer system is approximately $1,500 to $3,500. You must help us connect your computer system with a computer system used by us or our affiliates. You must strictly comply with our specifications for all items associated with your computer system and operate your computer system in accordance with our specifications. (Franchise Agreement, Sections 6.14 and 9.1).

You and your employees must have sufficient computer skills to properly operate the computer system, understand how to use the software, and access email, the Internet, and our proprietary database management and intranet system. (Franchise Agreement, Section 6.12).

You must maintain an active and functioning email account to permit you to receive e-mails from us and you must check the account at least once each day. If available, we may maintain an email account for you on our proprietary database management intranet system. We may provide, by means of e-mail, mandatory system updates and changes to the Manuals including changes to policies and standards. (Franchise Agreement, Section 6.15). Internet connections can range from $150.00 to $200.00 per month, depending on the provider.

You must keep your computer system in good repair, and if we determine that modifications will benefit the StarCycle System, you must modify your computer hardware, software, telephone and power lines, and other computer-related facilities at your expense as we direct. There are no limitations on the frequency or cost of this obligation. You will acquire, maintain and upgrade computer, information processing and communication systems, including all applicable hardware, software and Internet and other network access providers, Web-cams and Website vendors we prescribe in the Manuals**.** (Franchise Agreement, Sections 6.7 and 6.14).

We estimate the annual cost to upgrade or update your computer system will not exceed $1,000 to $2,500.

We may revise our specifications at any time and we reserve the right to change software suppliers. There are no contractual limitations on your obligations to upgrade your computer system and pay for those upgrades or changes. Neither we nor our Affiliate or third party has a contractual obligation to provide ongoing maintenance, and you are solely responsible for protecting yourself from viruses, computer

hackers, and other communications and computer-related problems. (Franchise Agreement, Section 6.13).

We or our Affiliate may develop or prescribe a specific proprietary software program for use in the StarCycle System. If we do so, we may require you to use it and you may have to sign a software license agreement and pay a license fee. (Franchise Agreement, Section 6.7(m)).

We have the right, but not the obligation, to establish and maintain a website that provides information about the StarCycle System and the StarCycle Products and StarCycle Services offered by franchisees; we will have sole discretion and control over it. We also have the right, but not the obligation, to create interior pages on our website(s) that contain information about your StarCycle Studio and other franchised and corporate locations. We may charge you any costs relating to web page design or access we incur to provide you access through our website. (Franchise Agreement, Section 4.3(d)).

Internet

We have registered a domain name with the "StarCycle" name and established a site using this domain name. You acknowledge that the domain name is our sole property. We will have sole discretion and control over all aspects of the web site. You will only have the privilege, and not the right, to be listed on the web site, subject to your compliance with our policies. You may not use in any manner any computer medium or electronic medium (for example, any Internet home page, e-mail address, web site, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contain our StarCycle Marks, or any other words, symbols or terms confusingly similar to our StarCycle Marks without our express prior written consent. (Franchise Agreement, Sections 3.1 and 4.3).

Social Media/Internet Marketing

You may only use marketing materials we approve. You must obtain our prior written consent and follow our standards and specifications in establishing or maintaining any website, splash page, linking, framing or other presence on the Internet through any website, social networking site or otherwise in connection with the operation of your StarCycle Studio, including without limitation, Facebook, LinkedIn, Plaxo, Twitter, YouTube, Instagram and Tumblr. You must provide us with all login and password information for all internet/social networking marketing sites for your StarCycle Studio. You acknowledge that we have the right to monitor, remove, edit and delete all posts as we consider appropriate. If we do not provide certain specific types of print or other marketing materials, you may develop such materials for your own use, at your own cost, but must first submit prototypes, examples, proofs or other such samples of these materials to us for approval before use. We will approve or disapprove your marketing materials in writing within 5 business days after you submit them to us for review. If we take no action, the marketing materials will be deemed not approved. We may make available to you marketing and promotion materials for your StarCycle Studio that are used by us and/or other franchisees. You must pay placement and duplication costs of any marketing or promotion material we provide to you. (Franchise Agreement, Section 3.1 (m) and Section 10.3).

We may, in our sole discretion, provide assistance in digital marketing for you, including developing and managing online marketing campaigns on your behalf. You will be required to opt-in to receive such services. Our digital marketing assistance may be conditioned upon you paying in advance or reimbursing us for any costs we incur on account of paid media campaigns developed on your behalf, including, Pay-Per-Click, Facebook Ads Manager, Search Engine Marketing and related activities. We will invoice you for such services and you will pay all amounts billed within the timeframe specified in the invoice. Failure to pay all amounts due to us when due is a material breach of the Franchise Agreement. (Franchise Agreement, Section 10.3).

You must sign our Internet and intranet usage agreements, as applicable, and as we require. (Franchise Agreement, Section 4.3(d)).

Intranet

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have reasonable discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will only have the privilege, and not the right, to use the Intranet, subject to your compliance with our policies. We are not required to maintain an intranet or extranet, and we may discontinue providing an intranet at any time and for any reason if and when one is created or may deny you access to our intranet or extranet system for any reason whatsoever, in our discretion. (Franchise Agreement, Section 5.2).

Marketing Fund

We have created and maintain a Fund for marketing and promotion of the StarCycle System (the **"Marketing Fund**"). You must pay 2% of your Gross Revenue per month for marketing and promoting the StarCycle System at the same time, and in the same manner, that you pay the Royalty Fee to us (the "**Marketing Fee**"). The Marketing Fee is non-refundable. (Franchise Agreement, Section 10.6). Company-owned outlets (owned by us or an affiliate) are not required to contribute to the Marketing Fund.

The Marketing Fund will pay for marketing, public relations, market research, promotion, website design and maintenance, intranet, StarCycle franchise system conventions, marketing of goods and services provided by us, outside vendors, marketing agencies, and administration of the Marketing Fund, including salaries, overhead, administrative, accounting, collection, legal costs and expenses for maintaining, administering and developing marketing, marketing, public relations, and/or promotional programs and materials and any other activities related to the businesses operating under the StarCycle System. We will have the sole right to determine how to spend the Marketing Fees. (Franchise Agreement, Section 10.7).

The Marketing Fund proceeds will be used to develop, prepare and place marketing (including broadcast, print or other media) for use by franchisees generally or on behalf of the entire StarCycle System, or on behalf of a particular region, that may not include you. You acknowledge that the Marketing Fund is intended to maximize the general brand recognition of the StarCycle System. We are not obligated to spend the Marketing Fund on your behalf or benefit or spend the Marketing Fund equivalent or proportionate to the Marketing Fees you pay. (Franchise Agreement, Section 10.7).

We will select the Marketing Fund's administrator, who may be us or a representative we designate. The administrator will direct all Marketing and promotional programs, with sole discretion over the creative concepts, materials and media used in the programs, and the placement and allocation of the programs. Marketing campaigns and creative content will be prepared by marketing agencies and/or our in-house marketing department. The Marketing Fund is intended to maximize general public recognition and acceptance of the StarCycle Marks for the benefit of the StarCycle System. The administrator will not be obligated, in administering the Marketing Fund, to make expenditures for you in your Territory that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Marketing Fund. (Franchise Agreement, Section 10.7).

Funds collected for the Marketing Fund may be deposited in our general operating account and commingled with our general funds. We will administratively segregate the Marketing Funds on our books and records. An annual unaudited financial statement of the Marketing Fund, at the expense of the Marketing Fund, will be available approximately 120 days after our fiscal year end for your review once a year upon request. (Franchise Agreement, Section 10.7).

Any unused monies in the Marketing Fund at the end of the year will be used in the next fiscal year. We will not use any money from the Marketing Fund for marketing that is principally a solicitation for the sale of franchises. (Franchise Agreement, Section 10.7).

We can terminate the Marketing Fund at any time. In the event that the Marketing Fund is terminated, any remaining balance in the Marketing Fund will be spent as provided in Section 10.7 of the Franchise Agreement or returned to franchisees of the StarCycle System on a pro-rata basis. (Franchise Agreement, Section 10.9).

Summary of Marketing Fee Expenses for Fiscal Year Ending September 30, 2022:

Expenses:	Administrative Expenses:	$6,112	5.1%
	Production:	$65,870	54.9%
	Design		
	Marketing Software		
	Website Support		
	Photography and Video		
	Media Placement:	$48,000	40%
	Digital Marketing		
Total expenses:		$119,982	100%
Advertising fund contributions:		$56,965	
Excess of expenses over contributions:		$63,017	

Promotional Campaigns

You must participate in all promotional campaigns, prize contests, membership rewards, membership reciprocity and other programs, national, regional or local in nature (including the introduction of new StarCycle Services, StarCycle Products or other marketing programs we direct or approve), we periodically prescribe. You will be responsible for the costs of such participation. You will honor any discount or payment coupons, gift certificates or other promotional offers we authorize at your sole cost and expense. Unless we otherwise specify in writing, your acceptance of discount or payment coupons, gift certificates or other promotional offers will not in any way decrease or otherwise serve as a credit towards the satisfaction of any Marketing Fees you pay. You will maintain an adequate supply of marketing brochures, pamphlets and promotional materials in your StarCycle Studio. (Franchise Agreement, Section 10.10).

Local Marketing

You are currently required to advertise locally, spending a total of at least four percent (4%) of the Studio's annual Gross Revenues on advertising, marketing and promotional programs, with content subject to our prior written approval. (Franchise Agreement, Section 10.5). We will credit your Local marketing contributions to your Cooperative contribution requirement when you join an approved Cooperative. You may not advertise outside of your Territory without our prior written consent. (Franchise Agreement, Section 10.2).

Grand Opening Marketing and Support

You must develop and spend $12,500, in compliance with our standards and specifications, on grand opening marketing during the four weeks prior to opening and the four (4) weeks after opening your StarCycle Studio. In addition, at the signing of your Franchise Agreement, you must pay us $2,500 for focused local marketing expenditures to be placed by us in support of your grand opening. You must obtain our prior written approval for all proposed grand opening marketing you intend to use. (Franchise

Agreement, Section 10.4).

Marketing Cooperatives

As of the date of this Disclosure Document, we have not established any local or regional marketing cooperatives ("Co-op") but reserve the right to require you to participate in a Co-op when there are two or more Studios within the same marketing area . There is no marketing council at the present time.

Initial Training Program

No later than 60 days before opening your Studio, you, or if you are a corporation, partnership, or limited liability company, one of your principals acceptable to us, who owns at least a 51% equity interest in the entity franchisee, must attend and successfully complete to our satisfaction our initial owner training program (the "**Initial Training Program**") at one of our company owned and operated locations near our headquarters (currently in Lake Oswego, Oregon). We will also provide you and your initial instructor(s) with instructor training on the StarCycle methods of operation in conjunction with the Initial Training Program (the "**Instructor Training**"). The Initial Training Program and initial Instructor Training will be provided at no cost for up to eight people (including your owners and initial instructors) as long as such initial training is provided together at our facility currently in Lake Oswego, Oregon. You are responsible for all travel and living expenses for yourself and your employees during the training. If Instructor Training is provided outside of the one-time Initial Training Program, and/or if the Instructor Training is provided at your Studio, then you must pay us our then-current training fee plus our costs for transportation, meals, and lodging for our trainers. (Franchise Agreement, Section 6.3(a)).

If you purchase one or more additional franchises beyond your first franchise, then the following will apply with respect to the initial training programs described above: (1) We will not be required to provide the Initial Training Program (Initial Owner Training Program or the Instructor Training for Franchise Owners), but we may require it at our discretion; and (2) We will provide the Instructor Training for Franchisee's instructors who will have not yet been trained by us (subject to restrictions described above regarding number of trainees, provision of training in conjunction with the Initial Training Program (if applicable), and location for training). (Franchise Agreement, Section 6.3(a)).

Upon satisfactory completion of the Initial Training and Instructor Training, you and each instructor, as applicable, will be issued a StarCycle training certificate ("**Training Certificate**"). We reserve the right to refuse or rescind certification of anyone who does not complete the Initial Training or Instructor Training or any additional training or retraining course to our satisfaction. You must require each of your employees who will provide exercise instruction at the StarCycle Studio to attend Instructor Training and obtain a Training Certificate from us (or our designee, if applicable). (Franchise Agreement, Section 6.3(b)).

Your Initial Training Program (including initial Instructor Training) will not start until you have signed a lease for your StarCycle Studio. We plan to hold such training on an as-needed basis as we determine appropriate. The Manuals will be used as our primary instructional material.

INITIAL OWNER TRAINING PROGRAM*

SUBJECTS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Introduction to StarCycle, Culture, Training/	1	0	The city in which our headquarters

SUBJECTS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Expectations, Brand Compliance			is located (currently Lake Oswego, Oregon)
Site Selection and Development, Style of Studio	0.5	2	
Musicality	1	1-5	
Retail Training and Operations	5	2-8	
Employees	1	0	
Safety and Security	1	0.5	
Pre-Opening Process/Financial, Computer Training and Checklist	5	4-8	
Accounting, Marketing, Purchasing, Insurance and Reports	2	2	
TOTAL	**16.5**	**11.5 – 25.5**	

** All times are approximate. The training schedule may be amended.*

The Initial Training Program is provided by Dionne Del Carlo, Nate Boozer, Alex Engel, and Madison Cooper.

Dionne Del Carlo has been one of our founding Members and CEO in Lake Oswego, Oregon since our inception in November 2013 as well as a Member of Down Girls in Lake Oswego, Oregon since its inception in November 2012. Her experience in the subjects she teaches and supervises at training dates back to at least 2011.

Nate Boozer has been our Director of Training since February 2022. He has been Studio Manager for the StarCycle location in Eugene, Oregon since March 2019. His experience in the subjects he teaches at training dates back to at least 2019.

Alex Engel has been our Training Operations Manager since June 2022. She has been an instructor at our StarCycle location in Lake Oswego, Oregon since November 2018. Ms. Engel has been a Lead Mentor for us in Lake Oswego and Cedar Mill, Oregon since July 2020. Her experience in the subject she teaches at training dates back to at least 2018.

Madison Cooper has been our Director of Operations since February 2022. She served in the following positions for our company-owned studio in Lake Oswego, Oregon from December 2017 to February 2022: Sales Associate, Studio Manager, and Operations Manager. Her experience in the subject she teaches at training dates back to at least 2017.

We anticipate that any other trainers will have at least four to five years of experience in the subjects they teach at training.

INSTRUCTOR TRAINING FOR FRANCHISE OWNERS*

SUBJECTS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING**	LOCATION
Introduction to StarCycle, Culture, Training/ Expectations, Brand Compliance	3-5	1-2	The city in which our headquarters is located (currently Lake Oswego, Oregon)
Musicality	5-10	10-20	
Recruiting and Team Management	3-5	4-8	
Practice Teaching	30-40	20-40	
Social Media / Play Listing	2-4	5-8	
TOTAL	**43-64**	**40-78**	

INSTRUCTOR TRAINING FOR FRANCHISEE'S INSTRUCTORS*

SUBJECTS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING**	LOCATION
Introduction to StarCycle, Culture, Training/ Expectations, Brand Compliance	2	1	Our Headquarters (currently in Lake Oswego, Oregon)
Musicality	5-10	2-5	
Practice Teaching	30-40	15-30	
Social Media / Play Listing	2-4	1-5	
TOTAL	**39-56**	**19-41**	

* *All times are approximate. The training schedule may be amended.*

** *In this table, the column entitled "Hours of On the Job Training" does not refer to training we provide to you. Instead, it refers to the time you spend at your location practicing the skills taught during our classroom training. This practice is required before you receive instructor training certification fromus. Certification is granted based on our in-person or video analysis of yourperformance.*

The Instructor Training is provided by Nate Boozer. He has been our Director of Training in Lake Oswego, Oregon since February 2022. His experience in the subjects he teaches at training dates back to at least 2019.

We anticipate that any other trainers will have at least four to five years of experience in the subjects they teach at training.

New Instructor Training/Certification

Except with regard to the Instructor Training provided for your initial instructors during the Initial Training Program, and regardless of whether we or our designee provides such training, you must require each new instructor to be trained and certified. Such trainings will be held at our headquarters (currently in Lake Oswego, Oregon), onsite at your Studio (subject to availability of our trainers), and/or via required home-based training, as franchisor determines. You will pay us our then-current applicable training fees. You will also be responsible to pay all related travel, living, and wage expenses for your instructor(s) who attend such training at our facility. Or, if the training is conducted at your Studio, then you will be required to pay all the costs for transportation, meals, and lodging for our trainers. Our training fees and costs are subject to change and are nonrefundable. (Franchise Agreement, Section 6.3(d)).

Re-Certification/Re-Training for You and Your Instructors

If certification is refused or rescinded at any time during the term of the Franchise Agreement, you or your instructor(s) must retake the Initial Training or Instructor Training. We may also require you and your instructors to take additional training or retraining training courses throughout the term; the content of these programs may include new techniques, sequencing or other fitness programs. Such trainings will be held at our headquarters (currently in Lake Oswego, Oregon), onsite at your Studio (subject to availability of our trainers), and/or via required home-based training, as franchisor determines. You will pay us our then-current applicable training fees for such training programs. You will also be required to pay all travel expenses including transportation, accommodation, food expenses, and wages incurred by you and your employees for the duration of the additional training or retraining at our facility. Or, if the training is conducted at your Studio, then you will be required to pay all the costs for transportation, meals, and lodging for our trainers. Our training fees and costs are subject to change and are nonrefundable. (Franchise Agreement, Section 6.3(e)).

If applicable, Franchisee shall also pay Franchisor for all ongoing training Franchisor requires for Franchisee and/or Franchisee's personnel, including, without limitation, fees for re-training or supplemental training, subscriptions, internet-based memberships, tutorials, and videos. (Franchise Agreement, Section 6.3(e))

Annual Conference/Mandatory Meetings

We may host an annual conference or other mandatory meeting for our franchisees. You will not be required to attend more than two mandatory conferences per year. If we choose to host a mandatory conference, all StarCycle franchisees must attend our annual conference and we may charge you a fee which will range from $250 to $1,000 to attend our conference to defray our direct costs. In addition to the annual conference fees, you must pay all expenses incurred in connection with attending or sending your employees to our annual conference including, the costs of transportation, lodging, meals, training materials and any wages. If you fail to attend an annual conference or other required meeting, you must pay us a penalty fee of $1,000, and arrange to receive any information and training provided at these events in another manner. We will provide annual conferences when we think it is appropriate, but no more often than twice a year. (Franchise Agreement, Section 6.3(i)).

ITEM 12
TERRITORY

On signing your Franchise Agreement, we will designate a geographic search area in which you will seek and identify a site for your StarCycle Studio. This search area has no territory exclusivity.

At such time that a site for your franchised location has been approved by us, we will grant you (and describe on Attachment A of the franchise agreement) a specific geographic territory for your Franchise (the "Territory"). The geographic scope and shape of your Territory will depend on the specific market variables of your location, including demographics, psychographics, density, market trends, traffic flow,

natural and man-made boundaries, character of the neighborhood, competition from other businesses providing similar services within the area and our current general territory profile criteria, such as minimum population, minimum number of qualified households and age range of core customers. Your Territory may be in the shape of a drive time configuration or may be described by street map landmarks and compass directions on Attachment A.

Currently, in a suburban or rural area the typical minimum number of qualified households is 7,500 but may be smaller in an urban market. A "qualified household" in an urban area typically has annual average income exceeding $75,000, but this threshold may be lower in a suburban or rural area. We would consider granting a franchise for a Territory that has fewer than 7,500 qualified households in certain circumstances and in our sole discretion, such as in certain areas with good demographics.

During the term of your Franchise Agreement and as long as you are in good standing, neither we nor any affiliate will establish or license to another person or entity the right to establish a StarCycle Studio using the StarCycle Marks within your Territory. Because we reserve certain rights with respect to your Territory (as described below in this Item), 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.

The territories we grant to our franchisees may overlap, as long as a franchisee's location for its Studio is not located within the boundaries of another franchisee's Territory.

You must operate your Studio only from your Franchised Location, and you must not create and launch marketing strategies supporting your Studio outside of your Territory without our prior written permission. You are not permitted to offer or conduct online virtual workouts (live or recorded) unless we provide prior written consent, which we may withhold at our sole discretion.

The specific site or address of your Franchised Studio is your "**Franchised Location**," which you will locate in your Territory. We must approve the Franchised Location and once we have granted approval, you cannot move your Franchised Location without our prior written consent. Our approval of any new location is based on a variety of factors, including the demographics of the proposed new location.

You will not have any option, right of first refusal or similar rights to acquire any additional StarCycle Studios, additional franchises, or territories by virtue of signing the Franchise Agreement.

If you execute an ADA, you will be granted a license to open and operate a mutually agreed number of Studios in the Area according to a multi-unit development schedule. Your Development Area will remain exclusive for your development and we will not license a Studio to another party for that Area as long as you remain in compliance with the development obligations stated in the ADA. The geographic boundaries of the Development Area will be described in the ADA by zip codes, city, state or county lines, natural or man-made boundaries and compass point directions and depicted on a map attached to the ADA. The number of Studios to be developed will be determined by the demographics and market projections of the Development Area.

We reserve all rights not expressly granted to you in the Franchise Agreement. For example, we and our affiliates retain the right:

1. to use, and to license others to use, the StarCycle Marks and StarCycle System for the development and operation of a StarCycle Studio at any location other than in the Territory (or Development Area, if applicable), regardless of proximity to your Territory (or Development Area, if applicable);

2. to use the StarCycle Marks and the StarCycle System in connection with other services

and products or in alternate channels of distribution at any location including the Territory (and Development Area, if applicable);

3. to offer the StarCycle Services or StarCycle Products or any other service or product, or grant others the right to offer the StarCycle Services or StarCycle Products, whether using the StarCycle Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, wholesalers, retail outlets or other distribution outlets (other than a StarCycle Studio using the StarCycle Marks), or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory (or Development Area, if applicable);

4. to use any websites utilizing a domain name incorporating the words "**StarCycle**" or similar derivatives thereof. We retain the sole right to market on the Internet and use the StarCycle Marks on the Internet, including all use of websites, domain names, URL's, social media outlets, directory addresses, metatags, linking, marketing and co-branding and other arrangements. You may not independently advertise on the Internet, or use any domain name, address, locator, link, metatag or search technique, with words or symbols similar to the StarCycle Marks or otherwise establish any presence on the Internet without our prior written approval. We intend that our franchisees' websites be accessed only through our home page. We may charge you any costs relating to web page design or access we incur to provide you access through our website. You will provide us with content for our Internet marketing, and will sign our Internet and intranet usage agreements, if requested. We retain the right to approve any linking to or other use of our website;

5. to purchase or be purchased by, or merge or combine with, competing businesses, wherever located; and,

6. to engage in any other activity not expressly prohibited by the Franchise Agreement (or Development Agreement, if applicable). We are not required to pay you any compensation if we exercise any of these options.

You may market to customers and merchants outside of your Territory with our prior written approval and subject to our standards and specifications. We may require you to list the addresses of other StarCycle franchisees in your area on print advertising that will be circulated outside of your Territory for brand unity and awareness.

Neither we nor any affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those the franchisee will offer. However, we reserve the right to do so in the future.

You may not relocate the Studio without our written approval. If you elect to move or relocate the Franchised Location at any time during term of your Franchise Agreement for the remaining term of your Franchise Agreement, you must submit information about the proposed new location to us for our prior approval and simultaneously pay us a nonrefundable Relocation Fee in the amount of $5,000. If we do not approve the new location within ten (10) business days, it will be deemed disapproved. You must also obtain our prior written approval of any new lease. If we approve any relocation of your Studio, you must de-identify the former location. If you elect to exercise your right to renew this Agreement for an additional term, there is no assurance that the Territory will remain the same, and Franchisor reserves the right, in its discretion, to alter the Territory according to criteria that it determines to be relevant.

ITEM 13

TRADEMARKS

As a StarCycle franchisee, we grant you the non-exclusive right to use the StarCycle Marks in the operation of your StarCycle Studio. You may also use our current or future trademarks in the operation of your StarCycle Studio. By trademark we mean our trade names, trademarks, service marks and logos used to identify your StarCycle Studio. The following trademarks, which we will license to you, are either registered on the principal register of the United States Patent and Trademark Office ("**USPTO**") or have trademark applications filed and are pending registration on the USPTO and will be used by franchisees of the StarCycle System:

MARK	INTERNATIONAL CLASSIFICATION	REGISTRATION NUMBER	REGISTRATION DATE
STARCYCLE	41	4,472,555	January 21, 2014
	25	5,702,025	March 19, 2019
TURN I WISH INTO I WILL	41	4,800,798	August 25, 2015
ONE BEAT AT A TIME	41	5,413,747	February 27, 2018
STARFAM	25	5,406,895	February 20, 2018
	41	5,406,894	February 20, 2018
BORN TO SPARKLE	41	5,401,746	February 13, 2018
LET'S RIDE	41	5,401,747	February 13, 2018
STARCYCLE UNDER THE STARS	36	5,401,762	February 13, 2018
	25, 36	5,571,936	September 25, 2018
UNDER THE STARS	25, 36	5,401,763	February 13, 2018
STARBASICS	41	5,834,496	August 13, 2019
ONE BEAT AT A TIME	25	5,891,605	October 22, 2019
	41	6,145,976	September 8, 2020
	25	6,095,700	July 7, 2020
	9	6,167,513	October 6, 2020
ONE BEAT AT A TIME	36	6,925,364	December 13, 2022

There are no agreements currently in effect or contemplated which would significantly limit our right to use or license the use of the StarCycle Marks in any manner material to the franchise. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court. Except as described below, there is no pending infringement, opposition or cancellation proceeding involving the "**StarCycle**" trade name or "**StarCycle**" Marks.

On March 25, 2016, StarCycle, through its Affiliate, filed a Petition for Cancellation with the United States Trademark Trial and Appeal Board ("TTAB") to seek to cancel registration of the mark CYCLESTAR (USPTO Registration No. 4830243) registered by CB IP, LLC, an Ohio limited liability company, for use with, among other things, providing fitness instruction via stationary bicycles. The Petition for Cancellation was based on our Affiliate's prior rights and likelihood of customer confusion. The TTAB granted the petition and cancelled the CYCLESTAR registration on September 2, 2020. The parties signed a settlement agreement effective May 28, 2020 in which, among other things, CycleBar Franchising, LLC (the CycleBar franchisor) agreed to completely phase out its use of the CYCLESTAR mark no later than May 28, 2022; and to never challenge our ownership, use, or registration of our STARCYCLE mark; and to never trade upon, dilute, or infringe our rights to our STARCYCLE mark.

You must notify us of any infringement of, challenge to or unauthorized use of the StarCycle Marks that comes to your attention, including any notice of claim, demand or cause of action against you. We may take actions we deem appropriate to protect our name or the StarCycle Marks, but we are not obligated by the

Franchise Agreement to do so.

We are not obligated by the Franchise Agreement to participate in your defense in any administrative or judicial proceeding involving our trade name, trademarks or service marks, or to indemnify you for costs and expenses you incur if you are a party in any action or proceeding involving our trade name or the StarCycle Marks. We have the right, but not the obligation, to control any litigation involving our trade name or the StarCycle Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using attorneys of our own choosing and you must cooperate fully in defending any claim and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title or interest in our names or the StarCycle Marks, or contest our sole right to register, use or license others to use those names and the StarCycle Marks. In any defense or prosecution of any litigation relating to the StarCycle Marks or components of the StarCycle System undertaken by us, you must cooperate with us, execute any and all documents, and take all actions as we or our counsel deem desirable or necessary to carry out such defense or prosecution.

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete or modify any or all of the StarCycle Marks. You must modify or discontinue the use of a StarCycle Mark, at your expense, if we modify or discontinue it. You must immediately implement any change after our notice to you. We will not compensate you for any modification or discontinuation of the StarCycle Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although we have not filed an application for a copyright registration for the following works, we claim common law copyright protection for our manuals, website, marketing, artwork and designs, audio visual materials, printed literature and all other materials created by us, and used with the StarCycle Marks or in the StarCycle Studio, all of which we may amend or replace in the future (the "**StarCycle Copyrighted Materials**"). We have no pending patent applications that are material to the franchise.

We do not know of any prior rights or infringing uses that could materially affect your use of the StarCycle Copyrighted Materials. You must notify us immediately after receiving notice of any claim, demand or cause of action pertaining to the Copyrighted Materials or on learning that any third party uses the Copyrighted Materials without authorization. After receipt of timely notice of an action, claim or demand against you relating to the Copyrighted Materials, we have the right, but not the obligation, to defend or settle any such action. We have the right to contest or bring action against any third party regarding the third party's unauthorized use of any of the Copyrighted Materials. We may control all actions but are not obligated to take any action. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. In any defense or prosecution of any litigation relating to the Copyrighted Materials undertaken by us, you must cooperate with us, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of our counsel, to carry out such defense or prosecution.

We own no right in or to any patents. We have no pending patent applications that are material to the franchise. The Manuals and all marketing material that may be distributed by us are the subject of our copyrights. We will loan you one copy of the Manuals for confidential use in the StarCycle Studio. You may not disclose, publish, sell, show or reproduce the Manuals and must return them to us intact upon termination or expiration of the Franchise Agreement.

All the information contained in the Manuals is proprietary information owned by us. You agree, as part of the Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques and other proprietary information to which we claim exclusive

rights and which we let you use. You must implement any reasonable procedures we adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign agreements containing non-disclosure and non-competition provisions.

You must sign our standard form Confidentiality Agreement (Exhibit B), in our discretion, if we provide you with confidential information before you sign our Franchise Agreement. You must ensure that all personnel performing managerial or supervisory functions, all personnel receiving special training and instruction and all persons employed by you having access to any of our confidential information agree not to disclose, and do not disclose, any confidential information which may be revealed to them during the period of their employment and execute a confidentiality and nondisclosure agreement, in a form approved by us. It is your solely responsibility to ensure that such agreement complies with applicable laws in your jurisdiction. We shall be deemed to be a third-party beneficiary under such confidentiality and non-disclosure agreement.

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

The StarCycle Studio must, at all times, be directly supervised by you or a "**Majority Owner**" (if you are an entity) acceptable to us, who has management control and at least 51% ownership of the business entity, and who will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your Studio. You or your Majority Owner must actively participate in the business and provide training classes to customers.

If you designate a "**Studio Manager**" to direct the operations of your Star Cycle Studio, your Studio Manager must have successfully completed the minimum level of training specified by us in the Manuals or otherwise in writing. Unless your Studio Manager has been approved by us in our business judgment, we will require you or your Majority Owner to personally manage your StarCycle Studio. You or your Studio Manager must be able to instruct a 45-minute StarCycle class, run the day-to-day operations, bookkeeping, front desk, child care (if you choose to offer this service), equipment maintenance, computer operations, sound/tech operations, cleaning and maintenance of the StarCycle Studio and ensure the safety of all students, staff and employees. You are solely responsible for hiring and training your Studio Manager. The Studio Manager does not need to have an ownership interest in the franchise entity. We may require your Studio Manager and others who will have access to our trade secrets and other confidential information to sign a Nondisclosure and Noncompetition Agreement attached as Exhibit C to the Franchise Agreement.

You must hire all employees of the Studio and you are solely responsible for the terms of their employment, compensation and for the proper training of those employees in the operation of the Studio, and the satisfactory completion of each instructor of the instructor training program. Further, each of your employees must understand and acknowledge that you, and not StarCycle, are their sole and exclusive employer, and this fact must be stated in all of your employment, human resource, benefits and communications materials. Each of your employees must execute and comply with a standard form Nondisclosure and Non-Competition Agreement. (See Exhibit C to the Franchise Agreement). You agree to conspicuously identify yourself in all of your dealings with customers, suppliers, employees and public officials as the owner of the StarCycle franchise and to place any other notices of independent ownership on your business cards, forms, stationary, marketing and other materials as we may require from time to time.

The term "**franchisee**" as used in the Franchise Agreement refers to each person signing the Franchise Agreement as "**Franchisee**" whether that person is one of the spouses, legal domestic partners, partners, shareholders, trustees, trustors, beneficiaries, or persons named as included in "**franchisee**" and applies to

each person as if (s)he were the only named franchisee in the Franchise Agreement. Your obligations and each spouse, partner, shareholder, trustee, trustor and beneficiary of the Franchisee are joint and several.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only, services and merchandise that we have approved. We may add, delete and change services and merchandise that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes.

You may not operate any co-branding marketing system without our prior written consent, which may be withheld in our sole discretion.

You must sell or offer for sale only those exercise classes, products, and other services which are authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, techniques and confidential manual directives, and must not alter or vary the fitness routines or music playlists that we develop and require for your use. You must sell or offer for sale all types of exercise classes, products, and other services specified by us. We may require you to offer a minimum number of classes per week. We may impose standards and specifications regarding cancelation of classes and related matters. We may change or add to our required exercise classes, products, and other services upon prior notice to you. There are no constraints on our right to do so. You must discontinue selling any exercise classes, products, or other services that we may disapprove in writing at any time; and you must add any new exercise class, product, or other service as we may direct at any time at your own cost.

To the extent permitted by law, we may: (i) set maximum resale prices; (ii) set minimum resale prices; (iii) set minimum advertised prices; and (iv) set prices in connection with national or regional price promotions or price marketing.

You must operate your Studio only from your Franchised Location, and you must not create and launch marketing strategies supporting your Studio outside of your Territory without our prior written permission. You are not permitted to offer or conduct online virtual workouts (live or recorded) unless we provide prior written consent, which we may withhold at our sole discretion. Subject to the foregoing, you may provide services from your Franchised Location to members who reside outside of your Territory.

You may not use alternative channels of distribution to solicit or provide products or services to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement (FA) and Area Development Agreement (ADA). You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
a. Length of the franchise term	FA: Section 2	10 years from the longer of the date you sign your Franchise Agreement or your Studio lease.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
	ADA: Section 2	The term expires upon the deadline to open the last Studio purchased as outlined in Section 6 of Schedule A.
b. Renewal or extension of the term	FA: Section 2	If you are in good standing, you can renew for 1 additional 10-year term.
	ADA: Not applicable	Not applicable
c. Requirements for Franchisee to renew or extend	FA: Section 2	You must have complied with your obligations during the Term; not be in default under the Franchise Agreement or any other agreements; must, at our request, renovate or modernize your Studio to comply with our then-current standards for a new StarCycle Studio; comply with the then-current training requirements; must sign our then-current form of Franchise Agreement; pay a renewal fee; and must sign a general release. You may be asked to sign a Franchise Agreement with materially different terms than your original Franchise Agreement.
	ADA: Not applicable	Not applicable
d. Termination by Franchisee	FA: Section 17.4	Subject to state law, you may terminate the Franchise Agreement only as a result of our breach of a material obligation under the Franchise Agreement, which we fail to cure.
	ADA: Not applicable	Not applicable
e. Termination by Franchisor without cause	FA: Not Applicable	Not Applicable
	ADA: Not applicable	Not applicable
f. Termination by Franchisor with cause	FA: Sections 17.1 and 17.2 and 17.7	We can terminate if you materially default under your Franchise Agreement, any other individual Franchise Agreement, or any other agreement between you and us.
	ADA: Section 5	We can terminate your ADA if you default under the ADA or if we terminate any Franchise Agreement under your ADA.
g. "Cause" defined curable defaults	FA: Section 17.2	You have 10 days to cure non-payment of fees, 30 days to cure defaults not listed in Section 17.1.
	ADA: None	Not applicable
h. "Cause" defined non-curable defaults	FA: Sections 17.1	Non-curable defaults include: disclosure of the Manuals, Confidential Information or Trade Secrets to any unauthorized person; material misrepresentation or omission on application or in franchise operations; abandonment or no operations for 5 consecutive days; bankruptcy, foreclosure, insolvency, unauthorized assignment or transfer, conviction of a felony; failure to pay amounts due; unauthorized use of the Marks, 3 or more defaults in a 12 month period, even if cured; knowingly understating your Gross Revenue; repeated failure to submit any report,

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
		financial statement or tax return; unauthorized sale of merchandise products or services under the Marks or under a confusingly similar name or trademark; contesting our right to the Marks or copyrights; merger, consolidation, dissolution or liquidation without our prior written consent; failure to attend all mandatory training; violation of Anti-Terrorism Laws; health or safety violations ; and a breach of obligations under the Franchise Agreement, or other agreement between you and us, which by its nature is not capable of being cured by you.
	ADA: Section 5	You fail to fully comply with any term of the ADA; you fail to pay the Development Fee; you fail to execute any franchise agreement for any Studio under the ADA; any franchise agreement is terminated as the result of a default; you fail to open the minimum number of Studios agreed to in Section 6 of Schedule A by the applicable deadlines.
i. Franchisee's obligations on termination/ nonrenewal	FA: Sections 17.8 and 17.10	You must cease use of our StarCycle Marks, de-identify, pay all amounts due to us through the date of termination of this Agreement or de-identification of the Studio, whichever occurs last, and return the Manuals to us. We may, at our option, assume all telephone numbers for the Studio. You must, at our option, cancel or assign to us your rights to any Internet web sites, web pages or e-mail addresses which contain our StarCycle Marks. See also "r" below.
	ADA: Section 5	You will not recover the Development Fee paid and you must continue to own and operate your existing Studios.
j. Assignment of contract by Franchisor	FA: Section 15.1	No restriction on our right to assign.
	ADA: Section 7	No restrictions on our right to assign.
k. "Transfer" by Franchisee - definition	FA: Section 15.2	Includes transfer of the Franchise Agreement or change in ownership of the entity that owns it.
	ADA: Section 7	Includes transfer of the ADA to any third party, either voluntarily or involuntarily, directly or indirectly.
l. Franchisor's approval of transfer by Franchisee	FA: Sections 15.2, 15.4, 15.8	Transfers require our prior written consent, which will not be unreasonably withheld.
	ADA: Section 7	Transfers require our written consent, in our sole discretion and without the exercise of our Right of First refusal.
m. Conditions for Franchisor's approval of transfer	FA: Sections 15.3 - 15.6	You must be in compliance with the Franchise Agreement and all other agreements, sign a transfer application and pay a nonrefundable transfer application fee; transferee must: qualify, complete training, have adequate financial resources to meet all of our criteria, sign a new

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
		Franchise Agreement on our then- current form (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement. You must sign a guarantee of the transferee's payment and performance), refurbish the Studio, as needed; sign a guarantee and a general release. If any of the sales price is financed, you must sign a subordination agreement, abide by non-compete provisions in the Franchise Agreement; if location is leased, lessor must consent to sublease, assignment or novation of Lease, additional requirements apply to business entities. We must approve the terms of the transfer. We have a right of first refusal. (See also "r" below).
	ADA: Section 7	Our written consent is in our sole discretion and without exercise of our Right of First Refusal.
n. Franchisor's right of first refusal to acquire Franchisee's business	FA: Section 16	We can match any offer to purchase your business.
	ADA: Section 7	We have the sole discretion whether or not to exercise our Right of First Refusal.
o. Franchisor's option to purchase Franchisee's business	FA: Section 16	We have the option to purchase some or all of your equipment and furnishings on expiration or termination of your Franchise Agreement, at fair market value (not including goodwill created by the Marks and the System).
	ADA: Not applicable	Not applicable
p. Death or disability of Franchisee	FA: Section 15.7	Must be transferred within 90 days or Franchise Agreement will automatically terminate.
	ADA: Not Applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q. Non-competition covenants during the term of the Franchise	FA: Sections 14.2 - 14.3	No involvement in any Competitive Business (as defined in the FA) other than a StarCycle Studio operated under a valid Franchise Agreement with us; no diversion of any present or prospective member of ours to a competitor; no solicitation of ours or any of our Affiliate's clients or customers.
	ADA: Section 6	The restrictive covenants of the FA are incorporated by reference into the ADA. No involvement in any Competitive Business (as defined in the FA) other than a StarCycle Studio operated under a valid Franchise Agreement with us; no diversion of any present or prospective member of ours to a competitor; no solicitation of ours or any of our Affiliate's clients or customers.
r. Non-competition covenants after the Franchise is terminated or expires	FA: Section 14.2	Includes a 2-year prohibition for any Competitive Business (as defined in the FA): (a) in the Territory or any other franchisee's territory; (b) within 25 miles of the Territory; or (c) within 25

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
		miles of any Company or Company's affiliate-owned StarCycle Studio or any other franchisee's territory.
	ADA: Section 6	The restrictive covenants of the FA are incorporated into the ADA. Includes a 2-year prohibition for any Competitive Business (as defined in the FA): (a) in the Territory or any other franchisee's territory; (b) within 25 miles of the Territory; or (c) within 25 miles of any Company or Company's affiliate-owned StarCycle Studio or any other franchisee's territory.
s. Modification of the agreement	FA: Section 20.10	Must be in writing and signed by all parties.
	ADA:	The modification clause of the FA is incorporated by reference into the ADA. Any modification must be in writing and signed by all parties.
t. Integration/ merger clause	FA: Section 20.4	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.
	ADA: Section 9	The integration/merger clause of the FA is incorporated by reference into the ADA. Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	FA: Section 19	Subject to State Law. The parties must first attempt to resolve disputes through mediation. If not successful, except for certain claims, all disputes must be arbitrated in Clackamas County, Oregon and will be governed by the Federal Arbitration Act.
	ADA: Section 9	The dispute resolution clause of the FA is incorporated by reference into the ADA. Subject to state law, the parties must first attempt to resolve disputes through mediation. If not successful, except for certain claims, all disputes must be arbitrated in Clackamas County, Oregon and will be governed by the Federal Arbitration Act.
v. Choice of forum	FA: Section 19.6	Except for certain claims, all disputes must be arbitrated in Clackamas County, Oregon, subject to applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.
	ADA: Section 9	The choice of forum clause of the FA is incorporated by reference into the ADA. Except for certain claims, all disputes must be arbitrated in Clackamas County, Oregon, subject to

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
		applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.
w. Choice of law	FA: Section 19.2 Attachment C	Oregon, subject to the exception provided in Section 23.4 and applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.
	ADA: Section 9	The choice of law clause of the FA is incorporated by reference into the ADA. Choice of law is Oregon, subject to the exception provided in Section 23.4 of the FA and applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchises.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following disclosures are historical financial performance representations for the 2022 calendar year for our franchisees in operation for at least 12 months as of December 31, 2022. The disclosures do not include financial performance representations for our affiliate-owned outlets. The disclosures are based on information reported to us by our franchisees. The information has not been audited.

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Franchised Studios in Operation for More than 12 Months as of December 31, 2022

Average Monthly Revenues from January 1, 2022 Through December 31, 2022

Monthly Average	Median	Highest In Range	Lowest in Range
$28,555.23	$25,578.25	$55,307.91	$12,550.55

Total Studios Open More than 12 Months	Studios Above Average	Studios Below Average	Studios Above Median	Studios Below Median
8	2 (25%)	6 (75%)	4	4

Notes:

1. **Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.**

2. As of December 31, 2022, there were 10 total franchised studios in operation and 8 franchised studios that had been in operation for at least 12 months. One franchised studio closed during calendar year 2022 and is not included in this financial performance representation.

All of the aforementioned franchisees reported sufficient financial information to be included in this financial performance representation.

3. For purposes of this Item 19, "Revenue" means all receipts generated by the studio from any source, including memberships, class packages, retail merchandise, and childcare. It does not include discounts, returns and sales taxes.

4. Written substantiation of this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representations, STARCYCLE FRANCHISE, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our CEO, Dionne Del Carlo, STARCYCLE FRANCHISE, LLC, 375 Second Street, Lake Oswego, Oregon 97034, (503) 303-4498, dionne@starcycleride.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS ENDING SEPTEMBER 30, 2020, 2021 AND 2022

Outlet Type	Fiscal Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	8	10	+2
	2021	10	9	-1
	2022	9	9	0
Company Owned	2020	2	2	0
	2021	2	3	+1
	2022	3	3	0
Total Outlets	**2020**	**10**	**12**	**+2**
	2021	**12**	**12**	**0**
	2022	**12**	**12**	**0**

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR FISCAL YEARS ENDING SEPTEMBER 30, 2020, 2021 AND 2022

State	Fiscal Year	Number of Transfers
California	2020	0
	2021	0
	2022	1
Oregon	2020	1*
	2021	0
	2022	0
Total Outlets	**2020**	**1**
	2021	**0**
	2022	**1**

* These transfers relate to the transfer of ownership interests in entity franchisees by one or more owners (now former owner(s)) to one or more of the other owners of the entity.

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS ENDING
SEPTEMBER 30, 2020, 2021 AND 2022

State	Fiscal Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons*	Outlets at End of Year
California	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Colorado	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Missouri	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Fiscal Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons*	Outlets at End of Year
Oregon	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Texas	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Washington	2020	2	2	0	0	0	0	4
	2021	4	0	0	0	1	0	3
	2022	3	0	0	0	0	**0**	3
Total Outlets	**2020**	**8**	**3**	**0**	**0**	**0**	**1**	**10**
	2021	**10**	**0**	**0**	**0**	**1**	**0**	**9**
	2022	**9**	**1**	**0**	**0**	**0**	**1**	**9**

* This column includes franchises that were mutually terminated by mutual agreement between us and the former franchisee.

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS ENDING
SEPTEMBER 30, 2020, 2021 AND 2022

State	Fiscal Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Oregon	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Washington	2020	0	0	0	0	0	0
	2021	0	0	1	0	0	1
	2022	1	0	0	0	0	1
Total Outlets	**2020**	**2**	**0**	**0**	**0**	**0**	**2**
	2021	**2**	**0**	**1**	**0**	**0**	**3**
	2022	**3**	**0**	**0**	**0**	**0**	**3**

TABLE NO. 5 PROJECTED OPENINGS
AS OF SEPTEMBER 30, 2022

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Colorado	1	1	0
Oregon	1	1	0
Virginia	1	1	0
Total	**3**	**3**	**0**

The following is a complete listing of all of our current franchised outlets and the addresses and telephone numbers of all of their operations as of September 30, 2022:

Name	Address	Phone
California		
NEXT TIME AROUND, LLC, Jamie Pogrel	155 Railroad Avenue Danville, California 94526-3870	925-406-4896
SB SPIN CORP., Michael Neal, Kayla Neal, Danielle Stone, George Tharakan, and Amy Tharakan	3037 Calle Noguera Santa Barbara, California 93105-2822	408-515-0273
Oregon		
STARFIT, LLC, Julie Kollmorgen	535 High St. Eugene, Oregon 97401	541-600-8860
ASTERIA STUDIOS, LLC, Kelly Mreen and Heather Hedges	13183 SE 172nd Ave., Ste 178 Happy Valley, Oregon 97086	503-855-4460
Danielle Massari and Matthew Massari	4133 N. Williams Ave. Portland, Oregon 97217	503-488-0244
Missouri		
Jenna Rossiter	1167 Colonnade Center Des Peres, Missouri	314-394-0182
Washington		
STELLAR STUDIOS, LLC, Erica Gehlen and Eryn Washington	3215 SE 192nd Ave #100, Vancouver, Washington 98683	503-267-0678
FLY GIRLS LLC, Salina Philbrook	10702 NW Lakeshore Ave. Felida, Washington 98665	360-859-3422
CASSIOPEIA CYCLE LLC, Dana Ward	2612 W. Nob Hill Blvd. Ste. 10 Yakima, Washington 98902	541-480-5653

The following is a complete listing of all of our current company-owned and affiliate-owned outlets and the addresses and telephone numbers of all of their operations as of September 30, 2022:

Name	Address	Phone
Down Girls Up, LLC Dionne Del Carlo and Tom Cook	11835 NW Cedar Falls Drive #125 Portland, Oregon 97229	503-430-7337
Down Girls Up, LLC Dionne Del Carlo and Tom Cook	375 Second Street Lake Oswego, Oregon 97034	503-303-4498

Name	Address	Phone
Down Girls Up, LLC Dionne Del Carlo and Tom Cook	4532 42nd Ave. SW, Ste 103 Seattle, Washington 98116	206-914-5998

The following is a complete listing of franchisees that have signed franchise agreements but have not yet opened for business as of September 30, 2022:

Name	Address	Phone
Traci and Scott Byrne	1270 E. 17th Ave. Denver, Colorado 80218	303-726-3121
Amanda O'Haver	2838 NW Crossing Dr. Suite 2 Bend, Oregon 97703	925-389-6446
Barlow Fitness Group, LLC Lea Barlett	520 Belaire Ave. Chesapeake, Virginia 23320 (opened November 2022)	757-734-7827

Currently, we have no area developers or master franchisees.

Following is a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement as of the date of our last fiscal year end, or who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Name	City and State	Phone
SMALL GREAT THINGS, LLC, Jennifer Lynne Soine	Danville, California	209-404-2916
GOAL DIGGERS LLC, Rebekah Irvine and Marc Irvine	Cedar Park, Texas	208-371-6790 and 806-928-7377

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with StarCycle you may wish to speak with current and former franchisees, but be aware that not all such franchises will be able to communicate with you.

We have not created, sponsored, or endorsed any trademark-specific franchisee organization associated with the franchise system being offered as of the issuance date of this disclosure document.

No independent franchisee organizations have asked to be included in this disclosure document as of its issuance date.

ITEM 21
FINANCIAL STATEMENTS

Our fiscal year end is September 30th. Attached as Exhibit D are our audited financial statements as of September 30, 2020, September 30, 2021 and September 30, 2022.

ITEM 22
CONTRACTS

The following agreements are attached as Exhibits:

Exhibit A:	Current form of Franchise Agreement and its attachments
Exhibit B:	Current form of Franchise Confidentiality Agreement
Exhibit C:	Current form of Agreement for Receipt of Operations Manual
Exhibit F:	State Specific Addenda
Exhibit G:	Current form of General Release
Exhibit H:	Current form of Area Development Agreement
Exhibit I:	Form of Software Use And License Agreement

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit J. Please return one copy to us and retain the other for your records.

EXHIBIT A

TO DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT AND ATTACHMENTS

STARCYCLE FRANCHISE, LLC

STARCYCLE FRANCHISE AGREEMENT

Franchisee: _____

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ATTACHMENTS:

A. Territory
B. Guaranty and Assumption of Franchisee's Obligations
C. Nondisclosure and Noncompetition Agreement (Franchisee and Franchisee's Owners)
D. Addendum to Lease and Lease Information Form
E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages
F. Franchisee's Single Point of Contact
G. Electronic Funds Transfer Authorization
H. Sample Employee Confidentiality Agreement
I. Addendum Only for Franchisees Who Obtain SBA Financing

STARCYCLE FRANCHISE AGREEMENT

THIS STARCYCLE FRANCHISE AGREEMENT (this "**Agreement**") is entered into as of this _____ day of _____, _____, (the "**Effective Date**") by and between StarCycle Franchise, LLC, an Oregon limited liability company ("**Franchisor**" and "**we/us**") and_____, a(n) _____ ("**Franchisee**" and "**you**"), as follows:

RECITALS

Franchisor has developed a comprehensive system of establishing, operating and promoting specialized indoor cycling exercise services, which: (i) are provided out of a physical studio location under the brand name "**StarCycle**" using Franchisor's System (defined below) and in association with the Marks (defined below), and (ii) consist of indoor cycling exercise classes utilizing music and choreography, as well as the retail sale of exercise merchandise, equipment and assorted other exercise related services and products specified by Franchisor. Franchisor is the owner of the Marks and other intellectual property associated with the System and licenses others to operate StarCycle Studios pursuant to a system containing valuable know-how, information, Trade Secrets, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development (as defined further below, the "**System**").

The distinguishing characteristics of the System include the trademark "**StarCycle**" and other trademarks and trade names, trade dress, confidential operating procedures, confidential operations manual, standards and specifications for equipment, services and products, social networking methods, child care services, proprietary software, methods of service, management and marketing programs, sales techniques and strategies, commercial symbols and other methods used in connection with the System, and any and all revisions, modifications and additions thereto, all as may be changed, improved, and further developed by Franchisor from time to time.

Franchisee acknowledges the benefits to be derived from being identified with the System, and also the value of the Marks and the image of StarCycle Studios.

Franchisee wishes to obtain the right to use the System and the Marks, and wishes to be assisted, trained, and licensed to operate a StarCycle studio (the "**StarCycle Studio**") pursuant to the provisions and at a location within the "**Territory"** (as defined below), subject to the terms and conditions contained in this Agreement.

Accordingly, the parties agree as follows:

DEFINITIONS

For the purposes of this Agreement, the following definitions apply:

"**Agreement**" means this agreement, attachments, and all instruments in amendment hereof.

"**Affiliates**" means any person or entity that controls, is controlled by, or is in common control with Franchisor.

"**Confidential Information**" means all knowledge, know-how, standards, techniques, methods, procedures and training programs and materials related to the establishment and operation of the System, and all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee's StarCycle Studio including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, manuals, promotional and marketing materials, marketing strategies and any other data which Franchisor designates as confidential.

"**Franchised Location**" means the premises from which Franchisee operates the StarCycle Studio, or any other location as may be mutually agreed upon between Franchisor and Franchisee in writing.

"**Franchisee**" means the entity or person(s) identified in the introductory paragraphs of this Agreement, whether that person is one of the spouses, partners, shareholders, trustees, trustors or beneficiaries or persons named as included in "**Franchisee**" and applies to each person as if he were the only named franchisee in this Agreement. The singular usage (where applicable) includes the plural, feminine, masculine and neuter usages.

"**Gross Revenues**" means the total of all revenue and receipts derived from all sales of products and services at and through the StarCycle Studio, and all other products and services sold or performed by or for Franchisee or Franchisee's StarCycle Studio or by means of the business conducted under this Agreement, whether the receipts are evidenced by cash, credit, checks, gift certificates, payment coupons, services, property or other means of exchange. Gross Revenues do not include:

(1) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any such tax is shown separately and in fact paid by Franchisee to the appropriate governmental authority; and,

(2) customer refunds, valid discounts and discount coupons, and credits made by the StarCycle Studio which are issued pursuant to Franchisor's standard policy and specifications (exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Gross Revenues shall be deemed received by Franchisee at the time the Services or Products from which they were derived, delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer's personal check) actually has been received by Franchisee. Gross Revenues consisting of property or services shall be valued at the retail prices applicable and in effect at the time received.

"**Lease**" means any agreement (whether oral or written) under which the right to occupy the Franchised Location has been obtained, and any amendment thereto, including without limitation, any offer to lease, license or lease agreement.

"**Manual**" or "**Operations Manual**" means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software programs, DVDs, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of Franchisor for use by franchisees generally or for Franchisee in particular, setting forth information, advice and standards, general requirements, build-out and StarCycle Studio design requirements, Training Manual, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the StarCycle Studio or the operation of franchises, as may be revised or amended by Franchisor from time to time.

"Marks" shall mean the trademark "StarCycle" such other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, trade dress, insignia, commercial symbols and other indicia now or hereafter used or intended to be used or hereafter used in connection with the System, which may be designated by Franchisor and/or by an Affiliate and licensed to Franchisor, or otherwise licensed to Franchisor, as Franchisor may designate to be used in connection with the StarCycle Studio.

"Majority Owner" means the owner who has management control and at least 51% ownership of the business entity, and who will be principally responsible for communicating with Franchisor about business, operational and other ongoing matters concerning the StarCycle Studio.

"**Preliminary Approval**" means Franchisor's preliminary acceptance of the Franchised Location, subject to zoning approval and satisfaction of other state and local requirements and subject to Franchisor's acceptance of Franchisee's Lease and Lease Addendum.

"**Products**" means all products and merchandise sold or otherwise dealt with in connection with the StarCycle Studio or from or in connection with the Franchised Location.

"**Services**" means specialized indoor cycling exercise services: (i) provided out of a physical studio location under the brand name "StarCycle" using Franchisor's System in association with the Marks, and (ii) consist of indoor cycling classes utilizing music, choreography and exercise, as well as the retail sale of exercise merchandise, equipment and assorted other exercise related services and products specified by Franchisor.

"**StarCycle System**" or "**System**" means the standards, systems, concepts, identifications, methods, and procedures developed or used by Franchisor, or which may hereafter be developed or used by Franchisor, for the sales and marketing of Franchisor's Services and Products.

"**Studio Manager**" means Franchisee (if Franchisee is an individual), or a person employed by Franchisee (if Franchisee is an entity), but approved by Franchisor, to manage and oversee the daily operations of the StarCycle Studio who has successfully completed Franchisor's training and is capable of instructing a 45-minute StarCycle class. The Studio Manager is not required to have an ownership interest in Franchisee. The Studio Manager must have signed a Nondisclosure and Noncompetition Agreement in the form attached as Exhibit C to this Agreement.

"**Trade Secrets**" means information, formulas, patterns, compilations, programs, devices, methods, techniques or processes related to the System (including but not limited to Franchisor's choreographed sequences and variations, music and play lists and safety procedures) that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1. GRANT OF LICENSE

1.1 License. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee, and Franchisee accepts, for the term of this Agreement, a non-exclusive franchise license ("**Franchise**") to use the Marks and the System solely in the operation of a StarCycle Studio at one (1) location within the territory described in Attachment A (the "**Territory**") pursuant to all the terms and conditions of this Agreement. Franchisee shall provide the Products and Services from a Franchised Location within the Territory. Franchisee is solely responsible for selecting its Franchised Location, subject to Franchisor's prior written approval. Franchisee acknowledges that Franchisor's approval of the Franchised Location in no way constitutes a representation or warranty with respect to the success or viability of the StarCycle Studio. This Agreement does not include the right to subfranchise or sublicense the franchise to any third party or to resell products or services to any person who's not the ultimate consumer.

1.2 Changes. Franchisee recognizes that variations and additions to the System may be required from time to time in order to preserve and/or enhance the System. Franchisor expressly reserves the right to add to, subtract from, revise, modify or change from time to time the System or any part thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply, subject to the terms of Section 6.8.

1.3 Rights Limited to Specific Location. Franchisee recognizes that the rights that are granted to Franchisee are for the specific Franchised Location in the Territory defined in Section 4.1 below and cannot be transferred to an alternate location or an alternate Territory, without Franchisor's prior written approval. If Franchisee elects to move or relocate the Franchised Location at any time during the Term (as defined below), Franchisee shall submit information about the proposed new location to Franchisor for approval pursuant to the terms of Section 6.1 and other provisions of this Agreement and shall simultaneously pay Franchisor a nonrefundable "**Relocation Fee**" in the amount of $5,000. If Franchisor approves the new location, Franchisee must completely de-identify Franchisee's former Franchised Location consistent with Section 17.8 (e).

1.4 No Right to Additional Location. This Agreement does not grant Franchisee any preferential right, or right of any kind, to acquire an additional franchise. Franchisee acknowledges that granting of an additional franchise is a matter solely at Franchisor's discretion. If Franchisor approves Franchisee's application to purchase an additional franchise, the parties shall execute the then current form of Franchise Agreement which Franchisor is then offering new StarCycle franchisees in the state where the additional franchise will be located, which Franchisee acknowledges may be materially different than the terms of this Agreement; provided, however, the initial franchise fee payable by Franchisee for each additional franchise shall be discounted as provided in this Agreement. Franchisor's approval of Franchisee's application to purchase an additional franchise for a StarCycle Studio shall not constitute, or be regarded as precedent for, or approval of any other application by Franchisee.

1.5 You are not permitted to offer or conduct online virtual workouts (live or recorded) unless we provide prior written consent, which we may withhold at our sole discretion.

1.6 You may not use alternative channels of distribution (beyond the right to operate a physical studio at the Franchise Location as provided in this Agreement) to solicit or provide products or services to customers.

2. **TERM AND RENEWAL**

This Agreement shall start on the execution date of this Agreement by both parties and shall continue for a period of ten (10) years (the "**Term**") from the date a Lease is signed for Franchisee's Franchised Location, subject to termination pursuant to the provisions of this Agreement. Franchisee shall have the option to renew the Agreement for one (1) additional term of ten (10) years (a "**Renewal Term**"), subject to Franchisee's compliance with the following renewal conditions:

(a) Franchisee has been in substantial compliance with the Agreement throughout the Term (and all terms preceding the Renewal Term), has not received three (3) or more notices of default during any twenty-four (24) month period during the Term (and all terms preceding the Renewal Term), and is not in default at the time the Renewal Term commences;

(b) Franchisee has satisfied all payment obligations to Franchisor, Franchisor's affiliates and Franchisee's trade creditors;

(c) Franchisee notifies Franchisor of Franchisee's desire to renew at least 90 days but not later than 180 days prior to the expiration of the Term (or 180 days prior to the expiration of the term immediately preceding the Renewal Term);

(d) Franchisee has the right to remain at the Franchised Location for the Renewal Term;

(e) Franchisee upgrades Franchisee's Franchised Location and equipment as soon as reasonably and commercially practical, but not more than 6 months after the effective date of the renewal, in accordance with Section 6.10;

(f) Franchisee upgrades its computer system to Franchisor's then-current standards before the date of renewal (or as otherwise specified by the Franchisor);

(g) Franchisee provides proof of current licenses, insurance and permits;

(h) Franchisee and all of its Instructors (as defined below) successfully complete any retraining or additional training course Franchisor requires;

(i) Franchisee or its owners sign a general release in a form satisfactory to Franchisor of all claims Franchisee may have against Franchisor, its affiliates and their respective officers, directors, members, shareholders, agents, and employees, whether in their corporate and/or individual capacities;

(j) Franchisee signs Franchisor's then-current form of Franchise Agreement, which may contain terms and conditions (including fee provisions) that are materially different than the current agreement; and

(k) Franchisee pays to Franchisor the renewal fee, which is an amount equal to 25% of the Franchisor's then-current initial franchise fee.

Failure to abide by each of the above requirements shall be deemed Franchisee's election not to renew.

3. **MARKS AND COPYRIGHTED WORKS**.

3.1 Acknowledgments. Franchisee acknowledges and agrees that:

(a) Franchisor is the owner of all right, title and interest, together with all the goodwill of the Marks and Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the StarCycle Studio in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that the Marks designate the origin of sponsorship of the System, the StarCycle Studio, and the Products and Services, and that

Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks;

(b) Franchisor shall own all right, title and interest in and to Manual, website, marketing, artwork and designs, audio visual materials, printed literature and all other materials created by Franchisor, and used with the Marks or in the StarCycle Studio ("**Copyrighted Materials**"). Additionally, Franchisee agrees that all Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee for use in the StarCycle Studio shall be deemed works made for hire within the meaning of the United States Copyright Act in favor of Franchisor and who shall be entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. To the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials 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 Copyrighted Materials. To the extent such assignment is not permissible under applicable law, Franchisee grants Franchisor an exclusive, perpetual and royalty free right to use, and license the use of, any Copyrighted Materials created by or on behalf of Franchisee for use in the StarCycle System. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from any other person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 3.1(b);

(c) Franchisee shall never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's ownership of the Marks or Copyrighted Materials, nor counsel, procure or assist anyone else to do so, nor will take any action that is inconsistent with Franchisor's ownership of the Marks or Copyrighted Materials, nor represent to any third party that it has any right, title or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement. Any unauthorized use of the Marks or Copyrighted Materials by Franchisee shall constitute a breach of this Agreement and an infringement of Franchisor's and its affiliates' rights in and to the Marks and Copyrighted Material;

(d) Franchisor shall have the sole right to decide whether to apply to register any trademark or copyright with respect to the Services, Products and any other products and services and the Copyrighted Materials. Franchisor's decision not to obtain or maintain in effect any such application or registration shall not be deemed a breach of this Agreement.

(e) Franchisee will not, before or after termination or expiration of the Agreement, register, or apply to: (i) register any of the Marks or any trademark, service mark, or logo confusingly similar thereto or any Copyrighted Materials, anywhere in the world, (ii) use any Mark with any prefix, suffix, or other modifying words, terms designs or symbols (other than logos licensed to Franchisee under this Agreement); or (iii) use any Mark as part of a domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system;

(f) On Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and marketing of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents;

(g) All uses of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee on expiration or termination of the Agreement;

(h) FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS;

(i) Without limiting the generality of anything else contained herein, Franchisee shall not transfer or purport to transfer or otherwise, pledge as a security, encumber or otherwise attempt to dispose of the Marks or any Copyrighted Material of Franchisor; and,

(j) Franchisor's trade dress is distinctive, non-functional and protectable.

(k) Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the StarCycle Studio and only in compliance with this Agreement;

(l) Franchisee shall not use any of the Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law and shall indicate in such name registrations that Franchisee is a franchisee of Franchisor;

(m) Franchisee shall not use any Marks or portions of any Marks for marketing, promotion or marketing through online social media (including social networking sites, blogs, image sharing sites and any other form of internet-based communication – whether personal or business-related) without Franchisor's prior written consent. Franchisee shall follow all of Franchisor's directives as to marketing or marketing through social media outlets;

(n) Franchisee shall safeguard and maintain the reputation and prestige of the Marks and Copyrighted Materials and shall not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee shall not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same; and,

(o) Franchisee shall use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms and formats, including but not limited to, marketing and promotional materials, invoices, signage, business checks, business cards, invoices, stationery and promotional items such as clothing, pens, mugs, etc., which have been approved by Franchisor pursuant to this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Manual and otherwise given by Franchisor from time to time.

3.2 Modification of Marks and Copyrighted Materials. If Franchisor determines, at Franchisor's sole discretion, that the use of Marks or Copyrighted Materials in connection with the Services, Products, other products and services or the StarCycle Studio will infringe or potentially infringe the rights of any third party, or otherwise becomes advisable at any time for Franchisor to modify or discontinue use of the Marks or Copyrighted Materials, then on notice from Franchisor, Franchisee will immediately terminate or modify such use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisor shall have no liability or obligation whatsoever to Franchisee with respect to Franchisee's modification or discontinuance of any Marks or Copyrighted Materials.

3.3 Notice Obligations. Enforcement Rights. Franchisee shall notify Franchisor immediately after receiving notice of any claim, demand or cause of action pertaining to the Marks or Copyrighted Materials or on learning that any third party uses the Marks or Copyrighted Materials without authorization. After receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor shall have the right, but not the duty, to defend or settle any such action. Franchisor shall have the sole right to contest or bring action against any third party regarding the third party's unauthorized use of any of the Marks or Copyrighted Materials. Franchisor shall control all actions but shall not be obligated to take any action. Franchisee may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without Franchisor's prior written consent. Franchisee shall not contest, directly or indirectly, Franchisor's ownership, right, title or interest in Franchisor's names or the Marks, or contest Franchisor's right to register, use or license others to use those names and the Marks. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor, 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.

3.4 Ownership of Improvements. If Franchisee during the term of the franchise relationship, conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the StarCycle Studio, methods of operations, or any new trade names, trade or service marks, logos or commercial symbols related to the StarCycle Studio or any marketing and promotional ideas or inventions related to the StarCycle Studio (collectively, the "**Improvements**") Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval before using such Improvements. Any such Improvement will become the property of the Franchisor and may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties, other fees or otherwise.

Franchisee shall assign and does hereby assign to Franchisor, all right, title and interest in and to any Improvements, including the right to grant sublicenses to any such Improvements. To the extent that such assignment is not permissible under applicable law, Franchisee hereby provides an exclusive, perpetual and royalty free right to use, and license the use of, the Improvements to others.

4. **TERRITORY.**

4.1 Designation of Geographic Areas. Upon the execution of this Agreement, Franchisor shall designate a geographic search area in which Franchisee shall locate a site for its StarCycle Studio ("**Search Area**") which shall be described in Attachment A to this Agreement. At such time as Franchisor approves a site for the Studio, Franchisor will determine, in its sole discretion, and grant to Franchisee a specific geographic area in which to operate the Franchise (the "**Territory**"). The shape of the Territory may be irregular and depend upon the specific market variables of your location, demographic, psychographic and other criteria, including but not limited to visibility, street traffic, ingress and egress, natural and man-made boundaries, population, household income. Generally, there is no minimum or maximum size for a Territory because the size will vary based upon various criteria. Once the Territory is determined, Franchisor will include on Attachment A to this Agreement a description and/or map of the Territory. Franchisee must operate the Studio within the Territory and at the approved Franchised Location, and Franchisee will not move the Franchised Location without Franchisor's prior written consent. In the event that Franchisee renews this license for an additional term, there is no assurance that the Territory will remain the same, and Franchisor shall have the right, in its sole discretion, to revise such Territory according to criteria that it determines to be relevant.

4.2 Limited Exclusivity. During the Term and for so long as Franchisee is in compliance with all of its obligations hereunder, and subject to Franchisor's reservation of rights as set forth in Section 4.3 below, neither Franchisor nor any Affiliate will establish or license to another person or entity the right to establish a StarCycle Studio using the Marks within the Territory. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict Franchisor or its Affiliates and does not grant rights to Franchisee to pursue, develop or operate any of Franchisor's or its Affiliates' other business concepts other than the StarCycle Studio.

4.3 Exclusions. Franchisee acknowledges that the License granted hereunder is non-exclusive and that Franchisor and its Affiliates retain the exclusive right, among others:

(a) to use, and to license others to use, the Marks and System for the development and operation of a StarCycle Studio at any location other than in the Territory, regardless of proximity to the Territory;

(b) to use the Marks and the System in connection with other services and products or in alternate channels of distribution such as those described below in this Section 4, at any location including the Territory;

(c) to offer the Services or Products or any other service or product, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, wholesalers, retail outlets or other distribution outlets (other than StarCycle Studio using the Marks), or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory;

(d) to use any websites utilizing a domain name incorporating the words "StarCycle" or similar derivatives thereof. Franchisor retains the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, social media outlets, directory addresses, metatags, linking, marketing and co-branding and other arrangements. Franchisee may not independently advertise on the Internet, operate any co-branding marketing system, or use any domain name, address, locator, link, metatag or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. Franchisor intends that any Franchisee website be accessed only through Franchisor's home page. Franchisor may charge Franchisee any costs relating to web page design which Franchisor incurs for Franchisee's StarCycle Studio. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and will sign Franchisor's Internet and intranet usage agreements, if requested. Franchisor retains the right to approve any linking or other use of its website;

(e) to use, license and franchise the use of different trademarks or service marks other than the Marks, whether in alternate channels of distribution or at any location including the Territory, in association with operations that are the same as, similar to, or different than the StarCycle Studio facilities; except that if Franchisor acquires, is acquired by, merges, or

otherwise consolidates ("**Merger**") with another exercise business operating at the time of the Merger in the Territory, Franchisor (i) will only use and license the use of other trademarks or service marks in association with the exercise business; and (ii) Franchisor will use its best efforts to grant Franchisee a right of first refusal to acquire the exercise business in the Territory on mutually agreeable terms. If Franchisor and Franchisee cannot agree on terms within a time period of 60 days from the date of the Merger, Franchisor will retain the right to continue to operate, or license another entity to operate, the acquired business in the Territory, without compensation to Franchisee. However, that business will not operate under the Marks; and,

(f) to engage in any other activity not expressly prohibited in this Agreement.

5. **FRANCHISOR'S SERVICES AND ASSISTANCE**.

5.1 Franchisor Services. Franchisor shall offer Franchisee initial and continuing services, as Franchisor deems necessary or advisable in furthering Franchisee's StarCycle Studio and the business of the System as a whole and in connection with protecting the Marks and goodwill of the Marks. Failure by Franchisor to provide any particular service or level of service, either initial or continuing, shall not excuse Franchisee from its obligations under this Agreement.

5.2 Pre-Opening Services. Before opening the StarCycle Studio, Franchisor shall provide the following initial services:

(a) Designate Franchisee's Search Territory.

(b) Review and approve, as applicable, Franchisee's Lease for the StarCycle Studio and any ongoing amendments, modifications and renewals to the Lease.

(c) Provide Franchisee on signing of this Agreement, with general design specifications for the StarCycle Studio.

(d) Conduct (i) an initial training program for Franchisee, or if Franchisee is not an individual, Franchisee's Majority Owner; and (ii) an instructor training for Franchisee and its initial instructors.

(e) Provide Franchisee with advice regarding supplies and materials used and the Products and Service offered at the StarCycle Studio.

(f) Provide Franchisee during the Term with access to a copy of Franchisor's Operations Manual, which may consist of one or more manuals, containing required and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor as further stipulated in this Section 5. Franchisee shall operate the StarCycle Studio pursuant to the Manual, as amended from time to time. Failure to comply with the standards set forth in the Manual shall constitute a breach of this Agreement. Franchisor reserves the right to provide the Manual and updates to the Manual in electronic form or other form determined by Franchisor. Franchisor shall have the right to add to, and otherwise modify the Manual from time to time to reflect changes in authorized Products and Services, business image or the operation of the StarCycle Studio. Franchisee shall implement and adopt any required modifications at its own cost. Franchisee acknowledges that the Manual is loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor. Franchisee shall not copy, distribute, post, publicize or disseminate through any means, any part of the Manual unless approved in writing by Franchisor.

(g) At Franchisor's option, Franchisor may post some or all of the Manual on a restricted Website, intranet or extranet system to which Franchisee may have access. If Franchisor does so and Franchisee is provided access, Franchisee agrees to monitor and access the Website, intranet or extranet system for any updates to the Manual on at least a weekly basis. Any password or other digital identification necessary to access the Manual on the Website, intranet or extranet system will be deemed to be Franchisor's proprietary information, subject to all restrictions herein. Franchisor is not required to maintain an intranet or extranet, and Franchisor may discontinue providing an intranet at any time and for any reason if and when one is created or may deny Franchisee access to its intranet or extranet system for any reason whatsoever, in Franchisor's sole discretion.

(h) Visit Franchisee's StarCycle Studio for up to three (3) days to inspect the StarCycle Studio and provide Franchisee with pre-opening consultation and advice.

5.3 Post-Opening Services. Franchisor shall provide Franchisee the following services after opening the StarCycle Studio:

(a) Make a representative reasonably available to speak with Franchisee on the telephone or via email during normal business hours, as Franchisor determines is necessary.

(b) Conduct additional or retraining courses for Franchisee and Franchisee's employees from time to time. Franchisee shall pay all required then-current training fees for Franchisee and its Instructors' participation in such ongoing training courses.

(c) Furnish guidance to Franchisee on: (1) methods, specifications, standards, management and operating procedures used in the StarCycle Studio; and, (2) approved equipment, fixtures, furnishings, signs, products, materials and supplies. Franchisor shall provide such guidance through the Manual, bulletins, the internet, DVDs, CD ROMs, written materials, reports and/or telephonic consultations as Franchisor deems necessary.

(d) Develop and design new Products, Services, operations methods or programs for the StarCycle Studio, as Franchisor deems necessary from time to time. Franchisee shall pay any fees associated with the training for, or implementation of, such new Products, Services, operations methods or programs and shall offer for sale all such new Products or Services developed as required by Franchisor.

(e) Maintain the Marketing Fund as set forth in Sections 10.5 to 10.7, which shall be used to develop promotional and marketing programs for StarCycle Studios generally.

Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction. All training shall be subject to the availability of Franchisor and its agents. Training may not be provided in contiguous time periods.

6. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS.

6.1 Development of Franchise Location:

(a) Franchised Location Deadline. Within 90 days after the Effective Date of this Agreement, or such other period as agreed to by Franchisor (the "**Premises Deadline**"), Franchisee shall (i) identify a site from which it intends to conduct its StarCycle Studio (the "**Franchised Location**") by utilizing the support services of Franchisor's designated national brokerage firm who shall provide assistance and guidance and shall use the site selection criteria approved by Franchisor; (ii) present Franchisor with all requested information regarding the proposed Franchised Location including but not limited to a description of the premises, current zoning designation, demographic information, location of all fitness or exercise businesses within a 5-mile radius, street frontage, pedestrian and automobile traffic statistics, a description of other neighboring businesses, parking availability, rent rates (including base rent and any CAM charges, taxes and insurance) or sale price and mortgage terms, architectural drawings of current interior design, as well as a video and photographs of both the exterior and interior of the premises and any other information and materials that Franchisor may require, for Franchisor approval (the "Site Selection Package"); and (iii) a draft lease or purchase agreement for the acquisition of the proposed Franchise Location. Franchisee may obtain an extension on the Premises Deadline if prior to the expiration of the Premises Deadline, Franchisee seeks Franchisor's written consent for an extension of the Premises Deadline and pays Franchisor an extension fee of $2,000. Franchisor reserves the right to waive all or part of the extension fee in its sole discretion.

(b) Franchise Location Approval. After submission of the Site Selection package and other information required in Section (a) Franchisor will have 10 business days to provide Franchisee with its preliminary approval or disapproval of the proposed Franchise Location. If Franchisor does not provide its preliminary approval of the proposed Franchised Location within the allotted time, the proposed Franchised Location will be deemed disapproved. If Franchisor approves the Franchised Location, but does not approve the lease, Franchisee shall attempt to renegotiate the same; or if Franchisor does not approve the proposed Franchised Location and the proposed lease, Franchisee will select an alternate proposed Franchised Location and provide Franchisor with the above-required information within 60 days of Franchisor's disapproval.

(c) Franchisor Prior Approval; Lease Information Form. Franchisee shall obtain Franchisor's prior written approval of any lease or purchase agreement to be signed. Franchisee shall sign a lease and Franchisor's standard for Addendum to Lease in favor of Franchisor attached hereto as Attachment D or consummate a purchase of the Franchised Location within

45 days after Franchisor's approval of the lease or purchase agreement for the Franchised Location ("**Lease/Purchase Deadline"**). Franchisee shall cause Franchisor's standard form Addendum to Lease to be signed simultaneously and in conjunction with the execution of the Lease. After Franchisor approves the Franchised Location and before Franchisee's signing, Franchisee shall not alter or modify the lease, purchase agreement, Franchisor's standard Addendum to Lease or any other document approved by Franchisor in relation to the acquisition of the Franchised Location (collectively, the "**Acquisition Documents**").

(d) Lease Delivery to Franchisor; Lease Information Form. Within 15 days after signing the Acquisition Documents, Franchisee shall deliver signed copies of the Acquisition Documents to Franchisor. Within 30 days after opening the franchise for business, Franchisee shall deliver to Franchisor a completed Lease Information Form in the form attached at the end of Attachment D. This form and the timing for its submission are subject to change at Franchisor's discretion.

(e) Extension. If Franchisee fails to sign the lease or purchase agreement for the Franchised Location, by the Lease/Purchase Deadline, Franchisee may obtain a 60-day extension of the Lease/Purchase Deadline if Franchisee seeks Franchisor's written consent before expiration of the Lease/Purchase Deadline, demonstrates that it has acted in good faith and used its best efforts to sign the lease or purchase agreement and pays Franchisor an extension fee of $2,000.

(f) Permits. Franchisee shall obtain all necessary permits, zoning approvals and comply with all other state and local requirements for the Franchised Location within 90 days of signing the Acquisition Documents. If Franchisee fails to obtain all required permits and zoning approvals and other local and state requirements within such 90-day period, Franchisor may extend the deadline for opening the StarCycle Studio for an additional 90-day period by demonstrating that it has acted in good faith using its best efforts and pays a fee of $5,000, withdraw approval of the Franchised Location, or terminate the Agreement pursuant to Section 17.2 at Franchisor's sole discretion. Franchisor reserves the right to waive all or part of the fee to extend the deadline for opening the StarCycle Studio in Franchisor's sole discretion. Franchisee shall otherwise complete the development of the Franchised Location pursuant to the directives in the Manual.

(g) Acknowledgment. FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE SITE SELECTION OR DEVELOPMENT PROCESS OF THE FRANCHISE LOCATION AND MAY HAVE REVIEWED INFORMATION ON THE SITE, THE LEASE, OR OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED STARCYCLE STUDIO, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE OR THE SUCCESS OR PROFITABILITY OF THE STARCYCLE STUDIO TO BE OPERATED AT SUCH LOCATION. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY ISSUES OR CLAIMS ARISING OUT OF BUSINESS RELATIONSHIPS THAT FRANCHISEE ENTERS INTO WITH ANY VENDORS OR SUPPLIERS RECOMMENDED, APPROVED OR DESIGNATED BY FRANCHISOR.

(h) Construction, Design and Buildout. Franchisee shall construct, design and build out the StarCycle Studio in compliance with the Operations Manual. Your service providers shall follow Franchisor's specifications and shall not deviate from Franchisor's specifications without obtaining Franchisor's prior written consent. Your architect's proposed architectural designs are subject to our prior approval. Franchisee must order all exercise equipment within one week of executing this Agreement and install all exercise equipment and test its functionality one to two weeks prior to opening the StarCycle Studio.

6.2 Financing. If Franchisee will finance any part of the investment cost necessary to start operations of the Franchised Location, Franchisee will provide Franchisor in the form specified by Franchisor: (1) a description of any financing that Franchisee has obtained, and (2) any other information and materials that Franchisor may require. Franchisee shall not grant any lender any security interest in the Marks or any of Franchisor's property licensed to Franchisee pursuant to this Franchise Agreement.

6.3 Training.

(a) *Training and Training Deadline*. Franchisor shall provide Franchisee an initial training program ("**Initial Training**") and shall provide Franchisee and its initial instructor(s), instructor training ("**Instructor Training**") on the StarCycle methods of operation. There shall be no charge for such training for up to eight people (including your owners and initial instructors) as long as the Initial Training and initial Instructor Training are provided together at Franchisor's facility. If Instructor Training is provided outside of the one-time Initial Training Program, and/or if the Instructor Training is provided at your Studio, then you must pay us our then-current training fee plus our costs for transportation, meals, and

lodging for our trainers. If you purchase one or more additional franchises beyond the first franchise, then the following will apply with respect to the initial training programs described above: (1) We will not be required to provide the Initial Training (e.g. initial owner training program or instructor training for franchise owners), but we may require it at our discretion; and (2) We will provide the Instructor Training for your instructors who will have not yet been trained by us (subject to restrictions described above regarding number of trainees, provision of training in conjunction with the Initial Training Program (if applicable), and location for training).

(b) Franchisee shall also be responsible for all travel and living expenses for Franchisee and Franchisee's instructors attending the Initial Training and Instructor Training. Initial Training and Instructor Training shall occur in Lake Oswego, Oregon or another location designated by Franchisor. Franchisee and Franchisee's instructors shall complete the training to Franchisor's sole and absolute satisfaction at least 60 days prior to the opening date of the Studio. (the "**Training Deadline**"). Prior to attending Instructor Training, each of Franchisee's Instructors shall have executed a confidentiality and non-disclosure agreement substantially in the form attached to this Agreement as Attachment H. Franchisee may request, subject to Franchisor's approval, that Franchisor provide the Instructor Training at Franchisee's StarCycle Studio. Franchisee shall pay Franchisor's then-current training fee, as well as all of Franchisor's travel expenses, including without limitation transportation, accommodation and food incurred by Franchisor for Instructor Training provided at Franchisee's StarCycle Studio. If Franchisee or its Instructors do not complete the Initial Training or Instructor Training to Franchisor's sole and absolute satisfaction, , or if Franchisor determines, in its sole discretion that Franchisee requires additional training or re-training, Franchisee or its Instructors, as applicable, shall be required to take retraining or additional training as provided in Section 6.3(c).

(c) *Training Certificate*. On satisfactory completion of the Initial Training and Instructor Training, including any home-based training required by Franchisor, Franchisee and each Instructor, as applicable, shall be issued a StarCycle training certificate ("**Training Certificate**"). Franchisor reserves the right to refuse or rescind certification of Franchisee or any Instructor, including Franchisee, who does not complete the Initial Training or Instructor Training or any additional training or retraining course to Franchisor's sole and absolute satisfaction. Franchisee shall require each of its employees who will provide exercise instruction at the StarCycle Studio to attend Instructor Training and obtain a Training Certificate from the Franchisor (or its designee, if applicable) prior to providing any instruction to clients at the StarCycle Studio.

(d) *New Instructor Training/Certification*. Except with regard to the Instructor Training provided for Franchisee's initial Instructors during Initial Training, and regardless of whether Franchisor or its designee provides such training, you must require each new instructor to be trained and certified. Such trainings will be held at a facility we designate, onsite at your Studio (subject to availability of our trainers), and/or via required home-based training, as Franchisor determines. Franchisee shall pay to Franchisor Franchisor's then-current applicable Instructor Training fee for each Instructor trained and certified. Franchisee shall also be responsible to pay all related travel, living, and wage expenses incurred by Franchisee and Franchisee's employees that attend any Instructor training program at Franchisor's facility. Or if the training is conducted at your Studio, then you shall pay all the costs for transportation, meals, and lodging for our trainers. Franchisee and all of its Franchisee's Instructors shall complete all additional and retraining programs required by Franchisor.

(e) *Re-Certification/Re-Training/Additional Training Requirement*. If certification is refused or rescinded at any time during the Term of this Agreement, or if Franchisor determines, in its sole discretion that additional or re-training is required, Franchisee or Franchisee's Instructor(s) shall retake the Initial Training or Instructor Training. We may also require you and your instructors to take additional training or retraining training courses throughout the term; the content of these programs may include new techniques, sequencing or other fitness programs. Such trainings will be held at a facility we designate, onsite at your Studio (subject to availability of our trainers, and/or via required home-based training, as Franchisor will determine. Franchisee shall pay Franchisor the then-current fees for such training programs. Franchisee shall be required to pay all travel expenses including, without limitation, transportation, accommodation, food expenses, and wages incurred by Franchisee or its employee(s) for such training at our facility. Or, if the training is conducted at your Studio, then you will be required to pay all the costs for transportation, meals, and lodging for our trainers.

If applicable, Franchisee shall also pay Franchisor for all ongoing training Franchisor requires for Franchisee and/or Franchisee's personnel, including, without limitation, fees for re-training or supplemental training, subscriptions, internet-based memberships, tutorials, and videos.

(f) *Failure to Complete Training*. If Franchisee fails to complete the Initial Training or initial Instructor Training to Franchisor's satisfaction, in its sole and absolute discretion within the Training Deadline, Franchisor may extend the Training Deadline and conduct additional training or retraining for Franchisee at Franchisee's cost provided in Section 6.3(c)

above or terminate the Agreement pursuant to Section 17.2.

(g) *Payment*. Any additional or retraining fees are subject to change, shall be paid by cashier's check, money order or wire transfer, and shall be deemed to have been fully earned by Franchisor and nonrefundable whether paid in full or in part when paid.

(h) *Annual Conferences*. Franchisee, or Franchisee's Majority Owner or its Studio Manager (if Franchisee is an entity), shall attend mandatory annual conferences at such locations as Franchisor may reasonably designate and Franchisor have the right to charge a fee ranging from $250 to $1,000 (subject to reasonable increases) to defray Franchisor's direct costs for providing the conferences. Franchisee shall also pay all salary and other expenses of its persons attending, including any conference fees, travel expenses, payroll, meals, living expenses and personal expenses. Franchisee shall not be required to attend more than two mandatory annual conferences per year. If Franchisee fails to attend such mandatory programs without obtaining Franchisor's prior written consent, Franchisee will be required to make up the program, if possible, at a time and place designated by Franchisor and will be charged a fee of One Thousand Dollars ($1,000.00) for each program Franchisee fails to attend.

6.4 Commencement of Operations. Within nine (9) months the Effective Date, or such other period as agreed to by Franchisor (the "**Commencement Deadline**"), Franchisee shall complete all pre-opening conditions including the Premises Deadline, Lease/Purchase Deadline, Training Deadline and Financing Deadline and commence operations. Franchisor may terminate this Agreement under Section 17.2 if Franchisee fails to comply with the Commencement Deadline.

6.5 Requirements for Opening. Franchisee may not open its StarCycle Studio until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's development obligations have been fulfilled; (2) the Initial Training and Instructor Training has been completed by Franchisee and its initial Instructors to Franchisor's sole and absolute satisfaction; (3) all amounts due to Franchisor and Franchisee's suppliers have been paid; (4) Franchisor has been furnished with copies of all insurance policies and certificates required by Section 11 of this Agreement, or other documentation of insurance coverage and payment of premiums that Franchisor requests; (5) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met, including obtaining all licenses and permits to operate the StarCycle Studio; and (6) Franchisee ordered, received, and installed all fixtures, equipment, furniture, supplies, inventory, and computer hardware and software required by Franchisor. Franchisee will begin operating the StarCycle Studio immediately after Franchisor determines that the StarCycle Studio is ready for opening.

6.6 Development of Business. Franchisee shall diligently develop the StarCycle Studio and use its best efforts to market and promote the Services and Products, consistent with the terms of this agreement.

6.7 Compliance with Standards. Subject to the terms of this Agreement, Franchisee shall comply with all present and future mandatory standards, specifications, processes, policies, procedures and requirements ("Standards") of Franchisor regarding the operation of the StarCycle Studio. Any mandatory Standards that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing that relate to the protection of the StarCycle brand or the customer experience, will constitute provisions of this Agreement as if fully set forth in this Agreement. In addition:

(a) Franchisee (if an individual) or Franchisee's Majority Owner (if an entity) must devote full-time efforts to the management and operation of the StarCycle Studio;

(b) Franchisee (if an individual) or Franchisee's Majority Owner(s) (if an entity) must actively participate in the business and provide training classes to customers;

(c) Franchisee must offer for sale on a continuing basis at the Franchised Location all required Services or Products (including any new Services or Products introduced into the System at the time and in the manner required by Franchisor). Franchisee shall not provide any services or products outside the Franchised Location, except as approved by Franchisor in writing. Franchisor will provide at least 30 days prior written notice of any new required Service or Product introduced into the System. All equipment, products, supplies, tools and other items necessary to offer for sale the Services or Products must be acquired, installed and used at the time and in the manner required by Franchisor. Franchisee shall market the new Services and Products as reasonably required by Franchisor;

(d) Franchisee may not offer for sale from the StarCycle Studio any service or product not authorized in writing by

Franchisor;

(e) Franchisee must use at the StarCycle Studio only marketing and promotional materials, services, equipment, inventory, products, signage, supplies and uniforms that meet Franchisor's written standards and specifications and only in the manner and during the period specified by Franchisor;

(f) Franchisee must maintain the StarCycle Studio and everything related to the StarCycle Studio in good condition and must keep the StarCycle Studio clean, neat and sanitary. Franchisee shall correct and implement all maintenance, repairs and replacements to equipment or the StarCycle Studio as necessary. Franchisee shall employ a technician qualified to maintain the StarCycle Studio exercise bikes and equipment;

(g) Franchisee may not make any alterations to the StarCycle Studio that materially affects the image of the StarCycle Studio except at Franchisor's request or approval, and all changes must strictly conform to specifications and requirements established or approved by Franchisor;

(h) Franchisee shall comply with all applicable federal, state and local laws, ordinances, rules, zoning regulations and other requirements including: (a) those applicable to exercise studios, health clubs, child care and public performance of music, and (b) all consumer protection laws and regulations. Franchisee shall obtain all business licenses and permits required by federal, state and local laws, ordinances, rules and regulations to operate the StarCycle Studio. Franchisee shall immediately notify Franchisor in writing of any violation of law or regulation for which Franchisee was cited by a government agency. Franchisee shall correct any health or safety violation within 24 hours or any shorter period mandated by the issuing government agency. Franchisee acknowledges and agrees that it conducted an independent investigation into all applicable laws and regulations with the assistance of an attorney or other qualified advisor before entering into this Franchise Agreement;

(i) Franchisee shall promptly pay all debts and taxes and other obligations arising from operating the StarCycle Studio (including the payment of fees) when due, including without limitation, all federal, state, county and local taxes and any and all accounts payable or other indebtedness incurred by Franchisee in operating the Franchised Location;

(j) Franchisee shall use best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as Franchisor deems necessary or appropriate to resolve customer disputes;

(k) Franchisee shall ensure that all marketing, labeling, packaging and other materials connected with the Services and Products are not false or misleading and fully conform to all applicable laws and regulations;

(l) Franchisee shall acquire, maintain and upgrade computer, information processing and communication systems, including all applicable hardware, software and Internet and other network access providers, Web-cams and Website vendors, as prescribed in the Manual;

(m) Franchisee shall comply with all terms and pay all fees that may be due under a software license agreement for any software Franchisee is required to use in the operation of its StarCycle Studio as prescribed by Franchisor;

(n) Franchisee shall develop and operate the StarCycle Studio pursuant to the Operations Manual, including all directives, requirements, standards, methods of operations, systems, modifications, additions, deletions and changes made to the Operations Manual that may be made from time to time and communicated to Franchisee during the Term;

(o) Franchisee shall comply with Franchisor's requirements and standards relating to the music used in Franchisee's StarCycle Studio, as prescribed in the Operations Manual or otherwise, and shall acquire all necessary music licenses, pay all applicable music royalties and fees and otherwise comply with all applicable laws, rules and regulations relating to the use of music in Franchisee's StarCycle Studio; and,

(p) As prescribed in the Operations Manual or otherwise, Franchisee shall participate in software training provided directly by our designated suppliers of certain types of software.

(q) We may require you to offer a minimum number of classes per week. We may impose standards and specifications regarding cancelation of classes and related matters.

(r) You must treat all customers, staff, vendors, and other business relations with dignity and respect. If applicable, you must comply with our specific minimum standards and specifications in this regard.

6.8 Pricing. Franchisor shall not have control over the day-to-day managerial operations of the StarCycle Studio, and Franchisee shall be free to establish its own prices, except to the extent and as permitted by applicable law, Franchisor may periodically establish maximum and/or minimum prices for Services and Products that your Studio offers, including without limitation, prices for promotions in which all or certain Studios participate.

.9 Inspection Rights. Franchisor or its representative shall have the right, at any time, with or without notice, to inspect, monitor and observe the operations of the StarCycle Studio, which may include visitation to the StarCycle Studio, mystery shoppers, consumer surveys or otherwise. Franchisee shall cooperate with Franchisor's requests and shall promptly implement and correct any deficiency identified by Franchisor during any inspection within the time frames Franchisor specifies. If Franchisor visits the StarCycle Studio in response to a third-party complaint, Franchisee shall reimburse Franchisor for all of its costs and expenses in relation to such visit. Franchisor also reserves the right to conduct annual customer surveys to measure the performance quality of Franchisee's instructors to determine if re-training or re-certification is required.

6.10 Upgrade/Modernization Requirements. From time to time as Franchisor requires, Franchisee shall implement items of modernization and/or replacement of equipment and related items at the StarCycle Studio to conform to the then-current standards for similarly situated new StarCycle Studios. The maximum cost of upgrading that Franchisee will be required to spend during the Term of this Agreement shall not exceed $30,000, however, such amount shall not include: (a) upgrades to any computer system used in the operation of the StarCycle Studio; (b) upgrades or facility changes Franchisee chooses to make voluntarily; (c) leasehold improvements necessary to offer new Services or Products; (d) general maintenance and refreshing of the StarCycle Studio whenever necessary; (e) any upgrades or modifications required by law or by any government agency; or (f) replacement of bikes, which will typically be required once during each term of this Agreement. The modernization limits shall also not apply to transfer or assignment of the StarCycle Studio pursuant to Section 15 or renewal pursuant to Section 2.

6.11 Compliance by Franchisee. Franchisor may require Franchisee's compliance with the provisions of this Section 6 even if it does not require such compliance by all franchisees.

6.12 Computer Skills. Franchisee shall at all times have sufficient computer skills to operate the computer systems for the StarCycle Studio, understand how to use the software, and access email, the Internet, and Franchisor's proprietary database management and intranet system.

6.13 Computer Risks and Protection Requirements. Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from unauthorized intrusion to Franchisee's computer system and malware and shall take reasonable steps to secure Franchisee's systems, including, but not limited to, being PCI compliant, erecting firewalls, implementing and installing computer access code protection, anti-virus systems and backup systems.

6.14 Maintenance and Upgrade Requirements. Franchisee shall obtain, maintain and upgrade its computer hardware, software, information processing and communication systems, and Internet and other network access providers at Franchisee's sole expense, as prescribed in the Manual and as modified periodically by Franchisor. Franchisee shall comply with any separate software or other license agreements that Franchisor or its designee use in connection with the System. Franchisee shall use Franchisor's required software, database management and intranet system as the exclusive means for tracking and maintaining customers, vendors, and leads, and such other uses as prescribed by Franchisor periodically in the Manual or other manners. Franchisee acknowledges that Franchisor shall have the right to access Franchisee's computer system for any purpose. Franchisee grants Franchisor the unrestricted right to do so.

6.15 Email Account Requirements. Franchisee shall at all times maintain an active and functioning email account at which it can receive e-mails from Franchisor and shall check the account at least once each day. If available, Franchisee shall maintain an email account on Franchisor's proprietary database management intranet system. Franchisee acknowledges and agrees that Franchisor may provide, by means of email, mandatory system updates and changes to the Operations Manual including changes to policies and standards.

6.16 Employee Policy.

(a) Franchisee shall maintain a competent, conscientious, and trained staff and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; meet such minimum standards as Franchisor may establish from time to time for the protection of the Trademarks and the customer experience; and are properly disciplined for poor performance as necessary. All employees hired by or working for Franchisee shall be employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be employees of Franchisor or subject to Franchisor's direct or indirect control. Franchisee shall be solely responsible for all employment decisions and functions at the StarCycle Studio, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees and shall neither request from Franchisor nor expect to receive from Franchisor, and Franchisor shall not provide Franchisee, with any advice on these subjects. Franchisee must take all reasonable measures necessary to establish in writing with its staff that Franchisee, and not Franchisor, is the employer of Franchisee's staff, and that Franchisee is responsible for all HR and personnel policies, practices and decisions that affect its staff. Franchisee shall indemnify, defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions of the Franchised Business, including, without limitation, those related to hiring, firing, wage and hour requirements, record keeping, supervision and discipline of employees. Franchisee shall maintain all insurance coverage required for the benefit of Franchisee's employees and shall timely and completely pay all taxes and assessments required by employers for their employees. Any required specifications, standards, operating procedures or rules contained in the Manuals to protect Franchisor's interests in the System and the Trademarks are not for the purpose of establishing any control or duty to take control over those matters reserved to Franchisee. Any personnel policies or procedures contained in the Manuals are for Franchisee's optional use and are not mandatory. Franchisee shall determine to what extent, if any, such personnel policies and procedures may be applicable to its operations at the Studio in its jurisdiction.

(b) Franchisee shall cause all employees, while working at the StarCycle Studio to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have 90 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform.

7. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES.

7.1 Permitted Products, Services, Suppliers and Equipment. Franchisee shall sell or offer for sale only those Services and Products and use only those suppliers as specified or authorized by Franchisor. The standards and specifications for Products, equipment, Services, tools, inventory, computer hardware and software and other supplies, as well as the names and addresses of Franchisor's required or recommended manufacturers and suppliers shall be maintained in the Operations Manual or provided to Franchisee via other written communications. Franchisor shall have the right to discontinue, change or add Services, Products or suppliers at any time and Franchisee shall comply with such modifications within 30 days of written notice by Franchisor. Franchisor has designated single source suppliers in certain instances and Franchisor or an Affiliate may be such single source. Franchisee acknowledges that Franchisor shall not be liable for any damages caused by any vendor or supplier recommended, required or designated by Franchisor.

7.2 Procedure for Approval of New Supplies. If Franchisee wishes (i) to purchase or lease any fixtures, products, equipment, supplies, or services not previously authorized, or (ii) to obtain any Product or Service from a new or different supplier, Franchisee shall submit a written request to Franchisor specifying the name, manufacturer and supplier of the proposed product or service, along with the supplier's specifications, cost and uses and any other information requested by Franchisor. Franchisor shall review Franchisee's request and respond in writing within 30 days of receipt of all information requested by Franchisor. Franchisee shall reimburse Franchisor for Franchisor's reasonable expenses for testing the new product or service. In the event a product will include a Mark, the supplier must execute a license agreement in a form

acceptable to Franchisor. Franchisor shall not be required to approve any particular product, service or supplier. If Franchisor denies Franchisee's request, Franchisee shall not use such product, service or supplier. Until and unless Franchisor notifies Franchisee in writing that it has approved a product or supplier, such product or supplier shall be deemed disapproved. Franchisor may, in its sole discretion, withdraw approval of any product or supplier at any time for any reason or no reason at all. Franchisor reserves the right to seek injunctive relief or terminate the Agreement for any breach of this Section 7.2.

7.3 Rebates. Franchisee acknowledges and agrees that Franchisor may receive volume rebates or other payments from approved/designated suppliers as a result of Franchisee's purchases or use of the suppliers. Franchisee further acknowledges and agrees that Franchisor shall be entitled to keep any and all rebates and similar payments for its own use and account, including but not limited to, compensation for administrative expenses incurred in managing suppliers or developing products, programs or services.

7.4 Inventory. You must purchase inventory as outlined in the Operations Manual. This may include, for example, shirts, shoes, water bottles, bandanas, and shopping bags (some of which may carry the StarCycle brand). We may require you to purchase minimum quantities of inventory at specific times, including seasonal and special event merchandise.

8. **FEES**.

8.1 Initial Fee. Franchisee shall pay to Franchisor an Initial Franchise Fee of Forty Thousand Dollars ($40,000) ("Initial Franchise Fee") on signing of this Agreement. The Initial Franchise Fee is fully earned when paid, and no portion is refundable. In addition to the Initial Franchise Fee, Franchisee may be required to pay Franchisor's then-current additional training or retraining fees if Franchisor determines at any time, in its sole discretion, that Franchisee or any of its Instructors are required to participate in additional training or retraining programs as provided in Section 6.3(c).

8.2 Initial Fee for Additional Locations. If Franchisee or an entity it controls purchases more than one franchise under a separate Area Development Agreement, the fee for the second through fourth franchise shall be $30,000 per Studio, for the fifth through seventh Studio shall be $26,000 per Studio, for the eight through ninth Studio shall be $24,000 and shall be $20,000 per Studio for ten or more Studios. In deciding control for purposes of determining whether an entity qualifies for the reduced franchise fee, Franchisor will look to see whether a majority ownership of the entity are existing franchisees. For each additional franchise, the parties shall enter into the then-current form of Franchise Agreement upon Franchisee's execution of the commercial lease for the Studio.

8.3 Royalty Fee. Franchisee shall pay to Franchisor a non-refundable monthly royalty ("**Royalty Fee**") equal to the greater of $500 per month or 5% of the total amount of its Gross Revenues generated from or through the StarCycle Studio. Franchisee shall maintain a separate bank account for the deposit of all Gross Revenues generated by the Franchised StarCycle Studio and shall deposit all Gross Revenues collected into such bank account within one to two business days of receipt. The Royalty Fee shall be payable to Franchisor monthly, on the 5th day of each month, or such other period as required by Franchisor and shall be payable through the entire Term, subject to change, during any Renewal Term of this Agreement. Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder. Each Royalty Fee payment shall be accompanied by a statement of the previous month's Gross Revenues on a form and in a manner approved by Franchisor as set forth in Section 9.

8.4 Interest and Late Fees. To encourage prompt submission of reports, payment of fees and other charges to Franchisor, and to cover the costs and expenses involved in handling and processing late payments, Franchisee shall pay, on demand, a late interest charge equal to the lesser of (i) 18% per annum; or (ii) the highest legal rate permitted by applicable law on all payments due to Franchisor during the period of time said payments are due and unpaid, plus a late payment or report charge in the amount of $200. Franchisee shall also pay to Franchisor on demand, a return check fee in the amount of $200.00 for each check that is returned. Franchisee acknowledges that this Section 8.4 shall not constitute Franchisor's agreement to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the StarCycle Studio. Further, Franchisee acknowledges that failure to pay all such amounts when due shall, notwithstanding the provisions of this Section 8.4, constitute grounds for default and termination of this Agreement.

8.5 Monthly Technology Fees and Other Software Requirements. On or before the 5th day of each month (or such other period as required by Franchisor) throughout the term of this Agreement commencing on the date you begin using the POS system in your Studio, you must pay us a Monthly Technology Fee at our current rates. We may, in our sole discretion,

increase the amount of the Monthly Technology Fees upon 30 days' prior written notice to you. We may charge reasonable fees or require you to pay fees directly to providers for other software services we may require in the future. We may develop and require you to use and pay us reasonable fees for proprietary software in the future. The fees described above are in addition to any other software services you may choose to use (which may be subject to our prior approval at our discretion).

8.6 Electronic Payment. Franchisor reserves the right to require Franchisee to remit fees, product purchases and other amounts due to Franchisor via electronic funds transfer ("**EFT**") or other means using a computer system approved by Franchisor or otherwise pursuant to the procedures set forth in the Manual from time to time. The EFT Authorization is attached hereto as Attachment G. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for payment thereof. If Franchisee has not timely reported the Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account in an amount equal to (i) the fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Revenues was provided to Franchisor as required hereunder or (ii) the amount due based on information retrieved from Franchisor's approved computer system. Nothing contained in this Section 8.5 shall be construed as a waiver of any of Franchisee's reporting obligations under this Agreement.

8.7 Gross-Up Fees. If any sales, income, excise, use, privilege or similar tax or assessment is imposed or levied by any taxing authority based on the payment of royalties, marketing or other fees by Franchisee under this Agreement, Franchisee shall, in addition to all payments due to Franchisor, pay such tax, levy or assessment directly or reimburse Franchisor for the payment of such amount. This provision does not apply to any federal or Oregon income taxes imposed on Franchisor.

8.8 No Withholding of Payments. Franchisee shall not withhold payment due to Franchisor under any circumstance including but not limited to alleged nonperformance by Franchisor of its obligations hereunder. Franchisee shall also not have any right of offset.

9. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES.

9.1 Record Keeping. We reserve the right to require you to use specific services, software, and systems for accounting and record keeping. Franchisee shall use the accounting method required by Franchisor, which currently is the U.S. generally accepted accounting principles, unless otherwise approved in writing. Franchisee will use the third-party accounting software to submit to Franchisor on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the StarCycle Studio conducted under this Agreement. Franchisee's records shall include tax returns, daily reports, statements of Gross Revenues (to be prepared each month for the immediately preceding month), profit and loss statements (to be prepared at least quarterly), and balance sheets (to be prepared at least quarterly). Franchisor shall also be permitted to access and poll financial information from the StarCycle Studio through Franchisor's required computer system as set forth in this Agreement.

9.2 Form of Records. Franchisee shall keep its financial books and records as Franchisor may direct, from time to time, in the Manual or otherwise, including retaining all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements, journals and general ledgers. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without Franchisor's written consent.

9.3 Reporting to Franchisor. Franchisee shall submit to Franchisor financial statements by the end of February each year (for the prior calendar year) and by the end of July each year (for the period from January through June) or at such other frequencies as Franchisor may designate. Franchisee shall submit to Franchisor such other reports as Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the StarCycle Studio. Such financial statements and reports must be in the format(s) Franchisor designates. On or before May 15 of each year, Franchisee shall provide Franchisor with a copy of Franchisee's federal tax return for the previous tax year. Franchisee hereby agrees that Franchisor may include financial performance information about the Franchisee's franchise operations in the Franchisor's franchise disclosure document and elsewhere.

9.4 Maintenance of Records, Inspection and Audit Rights. Franchisee agrees to keep all records and reports for 5 years from the date such records are created. Franchisor or Franchisor's authorized agent shall have the right to request, receive, inspect and audit any of these records wherever located. Should any inspection or audit disclose a deficiency in the payment

of any Royalty Fee, Marketing Fee (as defined in Section 10.6), or other amounts Franchisee is required to pay under this Agreement, Franchisee shall immediately pay the deficiency to Franchisor, without prejudice to any other remedy Franchisor may have. In addition, if the deficiency for any audit period discloses a deficiency in the amount due by 2% or more, Franchisee shall also pay to Franchisor the additional amount of any fees due, together with a late charge as provided in Section 8.4, as well as the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel.

9.5 Failure to Report. If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Revenues, Franchisor shall have the right to deliver to Franchisee an estimate of Gross Revenues for the period under consideration and Franchisee shall immediately pay to Franchisor the amount shown to be owing on account of the Royalty Fee, Marketing Fee, and other sums due on account of any understatement. Any such estimate shall be final and binding on Franchisee, unless within 10 days of Franchisor's delivery of the estimate Franchisee provides to Franchisor's satisfaction, any additional and verified records that allow Franchisor to make a revised determination of the amounts owed.

9.6 Scope of Record Requirements. The records required under this Section 9 pertain only to Franchisee's operation of the StarCycle Studio. Franchisor shall have no right to inspect, audit or copy the records of any business activity that is unrelated to the StarCycle Studio Franchisee may have. Franchisee shall keep the books and records of the StarCycle Studio separate from records of any unrelated business or personal activity.

9.7 Inquiries to Franchisee's Bank. Franchisee hereby authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the StarCycle Studio and hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the StarCycle Studio as Franchisor may request.

9.8 Franchisor's Access to Franchisee's Records. Franchisee agrees that during the Term and after the termination, expiration or cancellation of this Agreement, Franchisor shall have the right to access and review the Records (as defined below) of the StarCycle Studio, and may utilize, transfer, copy or analyze such Records as Franchisor determines. For purposes of this Agreement, "Records" means all records, documents, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, customer purchase records, records of the software, online software and accounts used in the StarCycle Studio, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the StarCycle Studio, including but not limited to, customers, employees, vendors and other service professionals of, and/or related to, the StarCycle Studio.

9.9 Use of Franchisee's Records/Financial Data. Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may determine in its sole discretion to disclose information regarding Franchisee or the operation of the StarCycle Studio, including without limitation earnings, costs or other financial performance information. Franchisee shall provide any such information requested by Franchisor for the purpose of such disclosure as directed by Franchisor.

10. **ADVERTISING AND PROMOTION**.

10.1 Prior Approval. All of Franchisee's advertising and marketing (including but not limited to in-store signage, window signs, and outside signage) shall be subject to Franchisor's prior written approval and shall conform to Franchisor's requirements and specifications. Franchisor's reserves the right to approve or disapprove of your proposed advertising and marketing at Franchisor's sole discretion.

10.2 Geographic Scope. Franchisee may not advertise outside the Territory without Franchisor's prior written approval.

10.3 Social Media/Internet Marketing.

(a) Franchisee may only use Franchisor approved marketing materials. Franchisee shall obtain Franchisor's prior written consent and follow Franchisor's standards and specifications in establishing or maintaining any website, splash page, linking, framing or other presence on the Internet through any website, social networking site or otherwise in connection with the promotion or operation of the Franchised StarCycle Studio, including without limitation, Facebook, LinkedIn, Plaxo, Twitter, YouTube, Instagram and Tumblr. Without limiting the generality of the foregoing, and to clarify, such restrictions apply to any references to the Marks or the franchise on personal social media accounts to the extent permitted

by applicable law. Franchisee shall provide Franchisor with all login and password information for all internet/social networking marketing sites. Franchisee acknowledges that Franchisor has the right to monitor, remove, edit and delete all posts as Franchisor deems appropriate. If Franchisor does not provide certain specific types of print or other marketing materials, Franchisee may develop such materials for its own use, at its own cost, but must first submit prototypes, examples, proofs or other such samples of these materials to Franchisor for approval before use. Franchisor shall approve or disapprove Franchisee's marketing materials in writing within 5 business days after Franchisee submits them for review. If Franchisor takes no action, the marketing materials will be deemed not approved by Franchisor. Franchisor may make available to Franchisee marketing and promotion materials for the StarCycle Studio that are used by Franchisor and/or other franchisees. Franchisee shall pay placement and duplication costs of any marketing or promotion material provided by Franchisor.

(b) Franchisor may, at Franchisor's sole election, provide Franchisee assistance in Internet marketing including, but not limited to developing and managing online marketing campaigns on Franchisee's behalf. Franchisee shall be required to opt-in to receive such services. Franchisor's Internet marketing assistance may be conditioned on Franchisee paying in advance or reimbursing Franchisor for any costs Franchisor incurs on account of media campaigns developed on Franchisee's behalf, including, but not limited to, Pay-Per-Click, Facebook, Search Engine Optimization, call centers and related activities. Franchisor shall invoice Franchisee for such services and Franchisee shall pay all amounts billed within the time frame specified on the invoice. Franchisee's failure to pay when due all amounts due to Franchisor shall be a material breach of this Agreement.

10.4 Grand Opening Marketing and Support. Franchisee shall develop and spend at least $7,500 and as much as $12,000, with the exact amount to be determined by Franchisor according to the Studio's market size, on grand opening marketing in the four weeks prior to the opening of the Studio and the first four (4) weeks after opening the StarCycle Studio. In addition, at the signing of this Agreement, you must pay us $2,500 for focused local marketing expenditures to be placed by us in support of your grand opening. Franchisee shall consult with and obtain Franchisor's prior written approval for all proposed grand opening marketing Franchisee intends to use.

10.5 Local Marketing. Franchisee is required to spend at least four percent (4%) of its annual Gross Revenue on advertising, marketing and promotional programs within its local marketing area and Protected Territory, with Franchisor's prior written approval of the content. Your Local Marketing spend will be credited to your Cooperative contribution requirement when you join an approved Cooperative.

10.6 Marketing Fund. Franchisor has created a fund for marketing and promoting the System ("**Marketing Fund**"). Franchisee shall participate in the Marketing Fund by paying a marketing fee ("**Marketing Fee**") at the same time Franchisee remits payment of the Royalty Fee in accordance with Section 8.3 above. The Marketing Fee shall be 2% of Gross Revenues. Franchisor reserves the right to increase the amount of the Marketing Fee during any renewal term. The Marketing Fee shall be nonrefundable.

10.7 Use of Marketing Fund

(a) Franchisor shall use the Marketing Fund to develop, prepare and place marketing (including broadcast, print or other media), and other purposes described below, for use by franchisees generally or on behalf of the entire System, or on behalf of a particular region, that may not include Franchisee. Franchisee acknowledges that the Marketing Fund is intended to maximize the general brand recognition of the System. Franchisor is not obligated to spend the Marketing Fund on Franchisee's behalf or benefit or spend the Marketing Fund equivalent or proportionate to the Marketing Fees paid by Franchisee on Franchisee's behalf or for its benefit.

(b) Franchisor shall have sole right to determine how to spend contributions to the Marketing Fund, or funds from any other marketing program, and discretion over the actual marketing materials and programs. Franchisor intends for the Marketing Fund to be used to promote the System, Services and Products sold by Franchisees and not to be used to sell additional franchises. Franchisor (or a representative designated by Franchisor) will administer the Marketing Fund. All payments to the Marketing Fund shall be spent on marketing, public relations, market research, promotion, website design and maintenance, intranet, StarCycle franchise system conventions, marketing of goods and services provided by Franchisor, outside vendors, marketing agencies, and administration of the Marketing Fund, including but not limited to, salaries, overhead, administrative, accounting, collection, legal costs and expenses. Funds collected for the Marketing Fund may be deposited in Franchisor's general operating account and commingled with Franchisor's general funds. Franchisor will administratively segregate the Marketing Fund on its books and records. An annual unaudited financial statement of the

Marketing Fund, at the expense of the Marketing Fund, shall be available 120 days after Franchisor's fiscal year end to Franchisee for review once a year upon request.

(c) Any unused monies in the Marketing Fund at the end of the year will be rolled over to the next fiscal year. Franchisor shall not use the Marketing Fund for marketing principally to solicit franchisees.

10.8 No Liability. Franchisee acknowledges that Franchisor shall have no direct or indirect liability or obligation to Franchisee or the Marketing Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Marketing Fund. Franchisee's and Franchisor's rights and obligations with respect to the Marketing Fund and all related matters shall be governed solely by this Agreement and neither this Agreement nor the Marketing Fund creates a trust, fiduciary relationship or similar arrangement.

10.9 Termination of Marketing Fund. The Marketing Fund may be terminated at any time by Franchisor. In the event that the Marketing Fund is terminated, any remaining balance in the Marketing Fund will be expended as provided for in Section 10.7 or returned to franchisees of the System on a pro-rata basis.

10.10 Participation in Promotional Campaigns. Franchisee shall participate in all promotional campaigns, prize contests, membership rewards, membership reciprocity, charitable promotions and other programs, national, regional or local in nature (including the introduction of new Services, Products or other marketing programs directed or approved by Franchisor), prescribed from time to time by Franchisor. Franchisee shall be responsible for the costs of such participation. In addition, Franchisee shall honor any discount or payment coupons, gift certificates or other Franchisor authorized promotional offers at Franchisee's sole cost. Unless otherwise specified in writing by Franchisor, Franchisee's acceptance of discount or payment coupons, gift certificates or other promotional offers shall not in any way decrease or otherwise serve as a credit towards the satisfaction of the Franchisee's Marketing Fee described in Section 10.6. Franchisee shall maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor from time to time.

10.11 Cooperatives. Franchisor has the right to designate a local geographic area in which 2 or more Studios are located as an area for local advertising and marketing through a cooperative program (a "Cooperative" or a "Co-op"). A Co-op is an association of all Studios operating in that designated local marketing area. Each Studio within the area will be a member of the Cooperative and each such Studio will have one vote on all matters requiring a vote. Each Cooperative's purpose is, with Franchisor's approval, to administer marketing programs or initiatives and to develop advertising, marketing and promotional materials for the local market that the Cooperative covers. All material decisions of the Cooperative, including contribution levels, will require the affirmative vote of at least 51% of the Studios operating the Cooperative's area. Franchisor reserves the right to designate the bylaws that govern the operation of the Cooperatives, although the bylaws cannot modify the voting structure set forth in the previous sentence. Franchisor may form, change, dissolve or merge Cooperatives.

10.12 Marketing Outside Territory. You may market to customers and merchants outside of your Territory only with our prior written approval and subject to our standards and specifications. We may require you to list the addresses of other StarCycle franchisees in your area on print advertising that will be circulated outside of your Territory.

11. **INSURANCE AND INDEMNITY**.

11.1 Insurance Requirements. Franchisee shall purchase and maintain in full force and effect, at Franchisee's expense and from a company Franchisor approves, insurance that insures Franchisee, Franchisor and any other persons Franchisor designates by name. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Studio is located, with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on the StarCycle Studio and all fixtures, equipment, supplies and other property used in the operation of the StarCycle Studio, for full repair and replacement value of the machinery, equipment and improvements, including full coverage for loss of income resulting from damage to the StarCycle Studio without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum 6 months loss of income, including coverage for Royalty Fees with Franchisor named as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate; (iv) automobile liability insurance, including owned, hired and non-owned vehicle coverage with a

minimum combined single limit of $1,000,000 per claim; (v) workers' compensation and employer's liability insurance covering all of Franchisee's employees; (vi) umbrella liability insurance which also includes child care, employers liability and automobile liability, with minimum limits of $2,000,000 per occurrence; (vii) StarCycle Franchise, LLC and each of its affiliates, owners, officers, directors, agents, and employees (as may be specified by Franchisor) as named additional insureds on all liability policies required by this subparagraph; (viii) any other such insurance coverages or amounts as required by law or other agreement related to the StarCycle Studio.

11.2 Obligations to Obtain, Maintain, Provide Proof; Franchisor's Rights. The required insurance coverage must commence as of the date the building lease has been signed for Franchisee's Franchised Location. Franchisee must deliver to Franchisor prior to opening and thereafter annually or Franchisor's request a proper certificate evidencing the existence of such insurance coverage and Franchisee's compliance with the provisions of this subparagraph. The insurance certificate must show Franchisor's status as an additional insured (as noted in (viii) above) and provide that Franchisor will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. Franchisor also may request copies of all policies. Franchisor may modify the required minimum limits from time to time and by written notice to Franchisee, to reflect changes in relevant circumstances, industry standards, and experiences in the System, standards of liability and higher damage awards. If Franchisee does not procure and maintain the insurance coverage required by this Agreement, Franchisor shall have the right, but not the obligation, to procure insurance coverage and to charge same to Franchisee, together with a reasonable fee for the expenses Franchisor incurs in doing so, payable by Franchisee immediately on notice.

11.3 Defense and Indemnity Obligations. Franchisee shall, during the Term and after the termination or expiration of the Franchise Agreement, defend and indemnify Franchisor and its Affiliates and their respective officers, directors, shareholders, employees, agents, members and employees, and hold them harmless from and against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, "**Damages**") as a result of or arising out of:

(a) Franchisee's breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy the Franchised Location is held, by Franchisee;

(b) any injury to or loss of property of any person in or on Franchisee's Franchised Location;

(c) the taxes, liabilities, costs or expenses of Franchisee's StarCycle Studio; any negligent or willful act or omission of Franchisee, its officers, directors, members, shareholders, employees, agents, servants, contractors or others for whom it is, in law, responsible;

(d) any marketing or promotional material distributed, broadcasted or in any way disseminated by Franchisee, or on its behalf unless such material has been produced, or approved in writing, by Franchisor;

(e) any employment claims made by Franchisee's employees against Franchisor;

(f) claims that you, your owners, employees, brokers or your independent sales associates are our employees, agents or part of a common enterprise with us, including claims regarding violations of labor or employment laws or regulations; and

(g) claims that we were negligent or failed to train, supervise or discipline you.

12. **CONDEMNATION AND CASUALTY**.

12.1 Notice to Franchisor of Franchisee Condemnation and Casualty; Franchisee Obligations. Franchisee shall promptly advise Franchisor on Franchisee's receipt of a notice of default or termination under Franchisee's Lease or mortgage and shall promptly provide Franchisor a copy of the notice. Franchisee shall also give Franchisor notice of any proposed taking of the Franchised Location or any portion thereof through the exercise of the power of eminent domain within 10 days of so being notified. If the StarCycle Studio or a substantial part thereof is to be taken, Franchisee may relocate the franchise within the area specified in Attachment A, or elsewhere with Franchisor's written approval pursuant

to Franchisor's relocation procedures. If Franchisee opens a new StarCycle Studio as provided above at another location pursuant to Franchisor's standards and general specifications within one year of the closing of the old StarCycle Studio, the new StarCycle Studio shall be deemed to be the StarCycle Studio licensed under this Agreement. If a condemnation, Lease termination or mortgage default takes place and a new StarCycle Studio does not open, for any reason, within one year as provided in this Section 12.1, then this Agreement shall terminate on written notice to Franchisee.

12.2 Damage or Repair. If the StarCycle Studio is damaged, Franchisee shall expeditiously repair the damage. If the damage or repair requires closing the StarCycle Studio, Franchisee shall immediately notify Franchisor in writing, and shall:

(a) Relocate the StarCycle Studio as provided in Section 12.1; or

(b) Repair or rebuild the StarCycle Studio at the Franchised Location pursuant to Franchisor's then existing standards and general specifications and reopen the StarCycle Studio for business as soon as practicable (but in no event later than 12 months after closing the StarCycle Studio at the Franchised Location), giving Franchisor at least 30 days advance notice of the date of reopening.

12.3 Effect of No Re-Opening Within Deadline. If the StarCycle Studio is not (or, in the opinion of Franchisor cannot be) reopened pursuant to this Section 12.2, or relocated pursuant to Section 12.1, this Agreement shall terminate on written notice to Franchisee.

12.4 No Extension of Term; Exception. The Term of this Agreement will not be extended by any interruption in the StarCycle Studio's operations, except for an act of God that results in the StarCycle Studio being closed more than 60 days but less than 180 days. In such an event, Franchisee must apply for an extension of the Term within thirty 30 days following the reopening of the StarCycle Studio. Nothing herein shall excuse Franchisee from paying Royalty Fees and if applicable Marketing Fees as provided in this Agreement.

13. **RELATIONSHIP**.

13.1 Relationship of Parties. Franchisee acknowledges that it is an independent contractor and not an agent, subsidiary, servant, partner, joint venturer, agent, principal or employee of Franchisor for any purpose and no training or supervision given by, or assistance granted by Franchisor shall be deemed to negate such independence. Neither party is liable or responsible for the other's debts or obligations. Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture, agent, principal or employment relationship exists between them. Franchisee shall conspicuously identify itself in all dealings with the public as an entity separate from Franchisor and shall place notices of independent ownership required by Franchisor on signs, forms, stationery, HR communications and payroll checks to its staff, marketing and other materials in its business and in relevant communications. The parties agree Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor or to bind Franchisor to any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose, whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, subsidiary, servant, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not be deemed employees of Franchisor or subject to Franchisor's control. Franchisor's right to require additional training or retraining, or its right to deny certification of Franchisee's employees shall not negate the above. Each party agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party from any related liability whatsoever.

13.2 No Right to Obligate/Create Liability in Name of Other.

(a) Neither party shall make any express or implied agreements, representations, guarantees or warranties or incur any debt (except by Franchisor in marketing or otherwise as provided herein) in the name of, or on behalf of the other party. Neither party shall be obligated by, nor have any liability for, any agreements, representations, guarantees or warranties or debt incurred or made by the other (except by Franchisor in marketing as provided herein) nor shall Franchisor be liable for any damages to any person or property directly or indirectly, arising out of the operation of Franchisee's StarCycle Studio, whether caused by Franchisee's negligent or willful action or failure to act.

(b) Franchisor shall have no liability for Franchisee's obligations to any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, Gross Revenues, income, property, or other

tax levied upon Franchisee, Franchisee's property, the StarCycle Studio or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

13.3 Franchisee Corporate Information and Structuring. If Franchisee is an entity, prior to signing this Agreement, it shall deliver to Franchisor a copy of its current articles of incorporation or organization, bylaws, operating or partnership agreement, and any other certificates of formation and charter documents. Franchisee shall provide Franchisor with copies of all amendments, consents and other activities of the entity that are typically documented in accordance with good business practices. If Franchisee issues any ownership interest in the entity, it shall include in each conveyance documentation the following language: "The transfer of ownership interest represented by this conveyance is subject to the terms and conditions of that certain StarCycle Franchise Agreement dated _____ between _____ and StarCycle Franchise, LLC an Oregon limited liability company, a copy of which is on file with the transferring company."

14. **RESTRICTIVE COVENANTS**.

14.1 Trade Secrets; Confidentiality Information. Franchisee acknowledges and agrees that:

(a) Representation and Acknowledgment. Franchisee's entire knowledge of the operation of the StarCycle Studio, the System, and the concepts and methods of promoting the franchise is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of Franchisor, represent valuable assets of Franchisor and that Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time. Franchisee will not acquire any interest in the Confidential Information other than the license to use it in the Territory in conjunction with performance of its duties pursuant to this Agreement during the Term;

(b) Trade Secrets and Confidential Information. During the Term, any Renewal Term, and anytime thereafter including any period after termination or expiration of this Agreement, Franchisee, and Franchisees' owners, Studio Managers, training class attendees, Instructors, employees, and others (the "**Franchisee Parties**") who have or are likely to have access to the Confidential Information and Trade Secrets will: (1) not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) adopt and implement all reasonable procedures Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information or Trade Secrets. Franchisee and Franchisee's owners shall sign the form of nondisclosure and non-compete agreement attached to this Franchise Agreement as Attachment C. Franchisee shall require all of Franchisee's employees and other personnel who may have access to Franchisor's Confidential Information and Trade Secrets to sign a nondisclosure and non-compete agreement substantially in the sample form attached to this Franchise Agreement as Attachment H. It is solely Franchisee's responsibility to ensure that the form of agreement complies with legal requirements in its jurisdiction. Franchisor will be named as a third-party beneficiary on such nondisclosure and noncompetition agreements; and Franchisee's failure to obtain such nondisclosure and non-compete agreements from Franchisee's employees shall be deemed to be a default under this Franchise Agreement. Franchisee shall provide to Franchisor, at Franchisor's request, signed copies of each such agreement.

(c) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (i) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Studio Managers or employees; or (ii) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose the information, if Franchisee has notified Franchisor before disclosure and used Franchisee's best efforts, and afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed. In addition, notwithstanding any other provision of this Agreement, pursuant to the Defense Secrets Act of 2016 an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (1) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

14.2 Non-Compete. Franchisee acknowledges that Franchisor enters into this Agreement in consideration of, and

reliance on Franchisee's agreement to deal exclusively with Franchisor and to refrain from using any of Franchisor's trade secrets in any activity competitive with Franchisor, and to refrain from transferring the goodwill associated with the Marks to any other business. Therefore, during the term of this Agreement, Franchisee and, collectively and individually all directors, officers and holders of any direct or indirect beneficial ownership interest of five percent (5%) or more of the securities or other equity interests of Franchisee, or of any corporation, limited liability company, partnership or other form of entity affiliated with or directly or indirectly controlling or controlled by Franchisee, (collectively "**Covered Persons**"), shall not have any interest as an owner, investor, partner, lender, director, officer, member, manager, employee, consultant, representative or agent or in any other capacity in any spinning or indoor cycling exercise business, or any business substantially similar to the StarCycle Studio ("**Competitive Business**"). For two years after this Agreement expires without renewal or terminates, Franchisee and all Covered Persons shall not have any interest as an owner, investor, partner, lender, director, officer, member, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business without Franchisor's prior written consent located or operating: (a) in the Territory or any other franchisee's territory; (b) within 25 miles of the Territory; or (c) within 25 miles of any Company or Company's affiliate-owned StarCycle Studio or any other franchisee's territory.

On written request from Franchisee, Franchisor will provide Franchisee a list of locations within a reasonable geographic area, to assist Franchisee in complying with this obligation.

14.3 No Diversion. During the Term and for a period of 2 years thereafter, Franchisee shall not attempt to divert any business related to, or any customer or account of, the StarCycle Studio, or any other StarCycle Studio by direct inducement or otherwise.

14.4 Disparagement. During the Term and for a period of 2 years thereafter, Franchisee shall not attempt to slander, libel or otherwise disparage Franchisor, its officers, directors, managers, employees or partners, or the StarCycle brand, Trademarks or reputation.

14.5 Acknowledgment.

(a) The parties have attempted in Sections 14.2 to 14.4 above to limit Franchisee's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties expressly agree that if the scope of enforceability of the provision of Sections 14.2 to 14.4 is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Sections 14.2 to 14.4 to the extent necessary to make such provision enforceable under applicable law. In addition, Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

(b) Franchisee acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 14. Franchisee acknowledges that a breach of the covenants contained in this Section 14 will cause immediate and substantial irreparable injury to Franchisor. Accordingly, Franchisee agrees that Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies and without posting a bond.

14.6 Exceptions. Nothing in this Section 14 shall prevent any active officer of Franchisee or member of Franchisee's family either individually or collectively, from owning not more than a total of 5% of the stock of any Competitive StarCycle Studio, which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee is otherwise not actively involved in the management or operation of that StarCycle Studio and does not serve that StarCycle Studio in any capacity other than as a shareholder.

14.7 Application to Others. In the event Franchisee is not an individual, this Section 14 will also apply to the officers, directors, owners, partners, trustees, Studio Managers, Instructors, beneficiaries and principals of Franchisee, Franchisee, and any persons controlled by, controlling, or under common control with Franchisee.

14.8 No Acting in Concert with Others. Franchisee will not act by or through or in concert with any other person or

entity in violation of this Section 14.

15. **ASSIGNMENT**.

15.1 Assignment by Franchisor.

(a) Franchisor shall have the right to unconditionally transfer, sell or assign this Agreement or any of its rights or obligations under this Agreement to any person, corporation or other party. As used in this Section 15, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, subfranchise, gift, conveyance, merger, sharing, subdivision, pledge as security, encumbrance or other disposition by one party (or any of its owners or agents) of any interest in: (1) this Agreement; (2) the ownership in the Franchisor; or (3) any of the assets of the Franchisor. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, agent or employee remaining with Franchisor in that capacity.

(b) Franchisor reserves the right to transfer, sell or assign the franchise system to anyone including the operator of a competing franchise system. Franchisee acknowledges and agrees that Franchisor may without Franchisee's consent and, provided the transferee expressly assumes and undertakes to perform Franchisor's obligations in all material respects: 1) sell its assets, the Marks or the System to any third party of Franchisor's choice; 2) offer its securities privately or publicly; 3) merge with or acquire other corporations or be acquired by another corporation; 4) undertake a refinancing, recapitalization, leverage buyout, or other economic or financial restructuring; or 5) terminate or cease to exist or dissolve. Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks, assets or the System from Franchisor to any other party.

15.2 Assignment by Franchisee. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee (or its owners, if Franchisee is an entity), and Franchisor has entered into this Agreement in reliance on Franchisee's or Franchisee's owners, individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the StarCycle Studio and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the StarCycle Studio, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, subfranchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever (each a "**Transfer**") without the prior written approval of Franchisor and compliance with all terms of this Section 15. Any unauthorized transfer or other conveyance, by operation of law or otherwise, including any assignment by a trustee in bankruptcy, or any attempt to do so, shall be a material default hereunder, shall be deemed void and shall entitle Franchisor to immediately terminate this Agreement.

15.3 Transfer and Sale Procedures. If Franchisee shall at any time determine to sell, in whole or in part, the StarCycle Studio, Franchisee shall obtain a bona fide, executed, written offer for the StarCycle Studio (together with and including all real or personal property, leasehold improvements and other assets used by Franchisee in its StarCycle Studio) ("**Purchase Offer**") and shall submit an exact copy of such Purchase Offer to Franchisor within five (5) days of receipt. Franchisor then will have a right of first refusal to purchase the StarCycle Studio as provided in Section 16. Franchisor shall not unreasonably withhold consent to any transfer, subject to Franchisee's compliance with Section 15.4.

15.4 Conditions to Sale or Transfer. No Transfer will be approved by Franchisor or be effective unless and until all the following conditions are satisfied:

(a) Franchisee completes and submits to Franchisor a transfer application and pays Franchisor's then-current transfer application fee which shall be earned by Franchisor on receipt and shall be non- refundable. The transfer application fee as of the date of this Agreement is Three Hundred Dollars ($300). If Franchisor approves the transfer, the transfer application fee shall be applied to the Transfer Fee (defined below in Section (c)).

(b) Franchisee is in full compliance with this Agreement and there is no outstanding debts and amounts owing to Franchisor or its affiliates;

(c) The transferee signs Franchisor's then-current form of Franchise Agreement (which shall supersede this

Agreement and generally have a term equal to the remainder of Franchisee's initial Term, but which may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for marketing and promotion than are provided hereunder, and such other documents then customarily used by Franchisor to grant franchises), all other documents as may be reasonably requested by Franchisor, and the Franchisee or transferee pays to Franchisor a non-refundable transfer fee in the amount of fifty percent (50%) of Franchisor's then current Initial Franchise Fee (the "Transfer Fee") and all expenses incurred by Franchisor in administrating such transfer, including but not limited to reasonable attorneys' fees, and training costs to be determined by Franchisor. The Transfer Fee will be $500 (subject to reasonable increases to help cover our related expenses) if the Transfer only relates to a minority of the controlling and ownership interests in the Franchisee business entity (whether a single transaction or a series of transactions). In addition, the transferee(s) will pay for and complete training if required by Franchisor. Franchisee shall not have to pay the Transfer Fee if transferee is a corporation of which Franchisee is a majority stockholder, or a child, parent, sibling or spouse of Franchisee, except that such transferee shall pay for all necessary training costs to be determined by Franchisor. Franchisee acknowledges and agrees that, if Franchisor is involved in locating a purchaser for Franchisee's StarCycle Studio, Franchisor shall be entitled to receive a sales commission in addition to the Transfer Fee;

(d) Franchisee signs a general release of Franchisor, including its officers, directors, agents and employees and Affiliates from such parties' obligations under the Agreement in a form satisfactory to Franchisor;

(e) Franchisor approves the material terms and conditions of such transfer, including without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's StarCycle Studio as Franchisee of Franchisor;

(f) If Franchisee (and its transferring owners) finances any part of the sale price of the transferred interest, Franchisee and its owners agree that all obligations of the transferee under any promissory notes, agreements or security interests shall be subordinate to the transferee's obligation to pay fees and other amounts due to Franchisor and its Affiliates and otherwise to comply with this Agreement;

(g) The transferee shall be an individual, corporation, limited liability company, partnership or other StarCycle Studio entity having adequate financial resources who shall meet all criteria established by Franchisor for franchisees including the completion of Franchisor's then current training program;

(h) The parties to the proposed transaction will have entered into a binding agreement subject only to Franchisor's first refusal rights set out in Section 16. Franchisor shall be furnished a copy of this binding agreement, and such agreement shall be subject to Franchisor's approval in writing. Franchisee shall advise each prospective transferee of this provision and the other terms of this Agreement;

(i) Franchisee (and its transferring owners) abides by the noncompetition agreement provisions of this Agreement;

(j) The proposed transferee shall have demonstrated to Franchisor's satisfaction that it, he or she will meet in all respects Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the StarCycle Studio, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as Franchisor may reasonably require. Because of the confidential information and trade secrets available to a franchisee, no transfer to a competitor of Franchisor will be permitted;

(k) Franchisee agrees to keep the StarCycle Studio in full operation pending the completion of the transfer and the satisfaction of all conditions to the transfer. If Franchisee is unable or unwilling to keep the StarCycle Studio in operation during this time period, Franchisor shall have the right to temporarily operate the StarCycle Studio upon the same terms and conditions set forth in Section 15.7 of this Agreement until such time as the transfer has been finalized and the transferee has taken over the operation of the StarCycle Studio;

(l) If the Franchised Location is subject to a Lease, lessor shall consent to a sublease, assignment or novation of the Lease and shall sign Franchisor's then-current standard form Addendum to Lease in favor of Franchisor; and, Franchisee or transferee shall provide Franchisor with originally signed copies of each such document; and

(m) Transferee shall upgrade the Franchised StarCycle Studio as required by Franchisor in Section 6.10.

15.5 Transfer to Entity Controlled by Franchisee. Notwithstanding anything to the contrary in this Agreement, if Franchisee is an individual, then Franchisor shall, upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor (including obtaining all necessary approvals to the assignment of a Lease, if any, for the Franchised Location), consent to a transfer of Franchisee's right, title, and interest in and to this Agreement to a corporation, limited liability company or other StarCycle Studio entity which is wholly owned and controlled by Franchisee, subject to the following (provided that such transfer shall in no way release Franchisee from any liability under this Agreement):

(a) Franchisee shall be in compliance with this Agreement;

(b) Contemporaneously with such transfer each owner of the Franchise entity must sign a personal guarantee and non-competition agreement in a form satisfactory to Franchisor;

(c) No shares or interest in the capital of such corporation, limited liability company, partnership or other StarCycle Studio entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or interest or offer or attempt to do so or permit the same to be done without Franchisor's prior written consent; and,

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and bylaws of the corporation, limited liability company, partnership or other StarCycle Studio entity shall provide that its objectives or StarCycle Studio is confined exclusively to the operation of the StarCycle Studio as provided for in this Agreement, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement, and copies thereof shall be furnished to Franchisor on request.

15.6 Requirements if Franchisee is an Entity. If Franchisee is an entity, each shareholder, member, or partner of the corporation, limited liability company or partnership which is granted the rights to serve as the Franchisee 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, which has primary responsibility for operations, sales and marketing activities, typically the President, for an agreed upon consideration following any such dissolution or decree. The form and content of the shareholders' agreement, operating agreement or partnership agreement shall be provided to Franchisor.

15.7 Death or Disability. On the death or permanent disability of Franchisee or one or more of its owners, the rights granted by this Agreement may pass to the next of kin or legatees of the deceased/disabled Franchisee/owners, provided that Franchisee's legal representatives shall, within 45 days of Franchisee's death or disability, apply in writing to Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor shall not unreasonably withhold its permission so long as the proposed transferees of the deceased/disabled Franchisee/owners meets each of the requirements set forth in this Section 15. Franchisor shall have the right to temporarily operate the StarCycle Studio from the point of death or permanent disability until Franchisee's next of kin or legatee has completed all of Franchisor's training and pre-opening requirements, cured any outstanding defaults and made any required upgrades to the facility. Franchisee's next of kin or legatee shall be liable to Franchisor for all costs of operating the StarCycle Studio during this period, including but not limited to an interim management fee in the amount of $500 per day (the "**Interim Management Fee**"), costs associated with payroll, insurance, utilities, marketing, rent, mortgage payments, supplies, and any other cost of operating the StarCycle Studio, as well as all costs incurred by Franchisor relating to transportation, lodging and meals. All of Franchisee's employees shall remain under the employ of Franchisee and shall not become the employees of Franchisor. Franchisor shall have the right to retain any profits during the period of Franchisor's operation of the StarCycle Studio and to charge Franchisee a reasonable management fee. If Franchisor elects to temporarily operate the franchise StarCycle Studio on behalf of Franchisee, Franchisee agrees to indemnify and hold Franchisor harmless from and against any and all claims arising from the acts and omissions of Franchisor and its employees and representatives, except to the extent Franchisor commits fraud in the operation of the StarCycle Studio. If Franchisor and Franchisee's next of kin are unable to reach an agreement as to the assumption or disposal of the StarCycle Studio within 90 days of the death, disability or incapacitation of Franchisee, this Agreement shall automatically terminate. On such occurrence, Franchisor shall have the right to take possession of any of its intellectual property, Confidential Information, Trade Secrets and any

and all other proprietary information, including without limitation any equipment or supplies bearing the Marks or trade dress that had been used in relation to the Franchised StarCycle Studio. The term "permanent disability" means a mental or physical disability, impairment or condition that prevents Franchisee or its owners from performing the essential functions of Franchisee.

15.8 Written Approval for All Transfers. Any attempt by Franchisee to transfer any of its rights or interest under this Agreement without having received Franchisor's prior written consent, will constitute a breach of this Agreement. However, if Franchisee dies and his or her personal representative does not desire to sell the StarCycle Studio, and if under controlling local law Franchisee's interest in the StarCycle Studio, and this Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then such attempted assignment by operation of law shall not be deemed a violation of this Agreement, provided that such heirs or legatees qualify as a Franchisee pursuant to Section 15.7.

16. **PURCHASE OPTION / RIGHT OF FIRST REFUSAL**.

16.1 Circumstances Where Franchisor May Exercise Purchase Option/Right of First Refusal. Unless otherwise explicitly provided by this Agreement, Franchisor shall be entitled to exercise the purchase option/right of first refusal described in this Section 16, in the following circumstances:

(a) The expiration without renewal or the termination for any reason of the License or this Agreement; or,

(b) The receipt by Franchisor of a copy of a Purchase Offer.

16.2 Franchisor's Right. Upon any event described in Section 16.1, Franchisor shall have the option but not the obligation to purchase all of Franchisee's rights, title and interest in the StarCycle Studio (together with and including all real or personal property, leasehold improvements and other assets used by the Franchisee in the StarCycle Studio).

16.3 Purchase Price. The purchase price for assets described in Section 16.2 will be, subject to Section 16.4: (i) the current fair market value (as further defined below) if Section 16.1(a) is applicable; or (ii) the price specified in the Purchase Offer received by Franchisee if Section 16.1(b) is applicable. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor separately, and an average of the 2 appraised values will be binding. Appraised current fair market values under Section 16.1(a) shall exclude any and all consideration for goodwill or going concern value created by the Marks and the System licensed to Franchisee.

16.4 Right to Offset. If Franchisor elects to exercise any option to purchase provided in this Section 16, Franchisor will have the right to set off all amounts due from Franchisee under the Agreement or any other agreements between the parties, all outstanding Royalty and other fees due to Franchisor and any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor shall also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

16.5 Franchisor's Notice to Exercise Option; Timing; Other Rights. Franchisor will notify Franchisee of its intention to exercise or not exercise its rights to purchase ("**Notice of Intent**") within 45 days following an event described in Section 16.1(a) or within 15 days following an event described in Section 16.1(b). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by Franchisor if Section 16.1(a) is applicable. If Franchisor is purchasing the assets pursuant to Sections 16.1(a), Franchisee will have 14 days following receipt of Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing shall be resolved through appraisal as specified by Section 16.3. If Franchisor declines to exercise its rights under this Section within the 15 or 45 day period described above, as applicable, Franchisee may thereafter sell or dispose of the assets (i) to any third party in the event of a sale under Section 16.1(a), subject, however, to Franchisee's strict compliance with Section 17.8 below regarding the return and discontinued use of the Marks, (or any assets identified by the Marks), Confidential Information and Trade Secrets, or (ii) to the third party identified in the Purchase Offer in the event of a sale under Section 16.1(b), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of Franchisor and satisfaction of the other conditions to sale or transfer set forth in Section 15.4. If the sale to such third-party purchaser is not completed within 90 days after Franchisor delivers the Notice of Intent to Franchisee, Franchisor shall again have the right of first refusal herein provided. Franchisee acknowledges and agrees that any sale under

Section 16.1 is subject to Franchisee's strict compliance with all of the terms and conditions of this Agreement and the sale of assets to a third party will not include the assets that are considered Franchisor's property.

16.6 Payment of Purchase Price/Possession of Franchised Location. If Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 16, the purchase and sale contemplated in this Section shall be consummated as soon as possible. Unless otherwise agreed by the parties, the purchase price shall be payable quarterly, in four equal installments, commencing at the time ownership of the StarCycle Studio and all of its assets, as well as the right to occupy the Franchised Location are transferred to Franchisor. In the event Franchisor is purchasing the assets pursuant to Sections 16.1(a), following the delivery of a Notice of Intent as specified in Section 16.5, Franchisor or Franchisor's designee shall have the immediate right to take possession of the StarCycle Studio and to carry on and develop the StarCycle Studio for the exclusive benefit of Franchisor or its designee.

16.7 Exclusion of Incidental Expenses. Franchisor shall not be required, by exercise of its rights under this Section 16, to perform any obligations of the potential third-party purchaser which are incidental to the sale of the StarCycle Studio, including without limitation the fulfillment of employment agreements, broker fees, commissions, or otherwise.

17. DEFAULT AND TERMINATION.

17.1 Immediate Termination without Cure. Franchisor shall have the right, at its option, to (i) suspend performance of certain or all services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder, (subject to the provisions of applicable state law governing franchise termination and renewal), effective immediately on receipt of notice by Franchisee and without opportunity to cure, on the occurrence of any of the following events:

(a) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Franchisor's Manual, Confidential Information or Trade Secrets;

(b) Franchisee makes any material misrepresentation or omission in its application to be a franchisee or in operating as a franchisee;

(c) Franchisee voluntarily abandons the StarCycle Studio for a period of 5 consecutive days, or any shorter period that renders reasonable the conclusion that Franchisee does not intend to continue operating of the StarCycle Studio, or advises Franchisor that it intends to cease operations of the StarCycle Studio, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

(d) Franchisee becomes insolvent, or is adjudicated a bankrupt or admits to being unable to pay its debts as they come due; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

(e) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer; or if execution is levied against Franchisee's StarCycle Studio or any of the property used in the operation of the StarCycle Studio and is not discharged within 5 days;

(f) Franchisee or any owner of a Franchisee entity or operator pleads guilty, or is charged or convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

(g) Franchisee fails to pay any amounts due to Franchisor or Affiliates within 10 days after receiving notice that such fees or amounts are overdue;

(h) Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within 10 days after Franchisor's notification;

(i) Franchisee has received 3 notices of default with respect to Franchisee's obligations under this Agreement within a 12-month period, regardless of whether the defaults were cured by Franchisee;

(j) Franchisee sells, transfers or otherwise assigns the StarCycle Studio, an interest in the StarCycle Studio or Franchisee entity, this Agreement, the StarCycle Studio or a substantial portion of the assets of the StarCycle Studio owned by Franchisee, to any person or entity (including one wholly owned by Franchisee, if Franchisee is an individual(s)) without complying with the transfer provisions of this Agreement;

(k) Franchisee submits on 3 or more occasions during the Term a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Revenue by more than 2%, unless Franchisee demonstrates that such understatement resulted from an inadvertent error;

(l) Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than 5 days late on 2 or more occasions during a 12-month period unless due to circumstances beyond Franchisee's control;

(m) Franchisee sells or offers for sale any unauthorized merchandise, product or service, engages in any unauthorized StarCycle Studio or practice or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks;

(n) Franchisee contests in any court or proceeding the validity of, or Franchisor's ownership of the Marks or copyrighted materials;

(o) Franchisee is a corporation, limited liability company, partnership or other StarCycle Studio entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such entity without Franchisor's prior written consent;

(p) Franchisee, or if applicable, its Studio Manager, fail to successfully attend Franchisor's Initial Training, Instructor Training and all other mandatory training, additional training or retraining programs;

(q) Any misrepresentation under Section 21 or any violation of Anti-Terrorism Laws by Franchisee, its Studio Managers, owners, agents or employees;

(r) Franchisee breaches the Agreement in such a way that makes compliance impossible within a reasonable period of time; or,

(s) Franchisor determines, in its sole discretion that continued operation of the StarCycle Studio by Franchisee will likely result in imminent danger to public health or safety.

(t) Franchisee does not satisfactorily complete the Initial Training program.

17.2 Termination After Breach and Opportunity to Cure. Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where such state law shall prevail), if Franchisee breaches any provision not covered by Section 17.1 of this Agreement and fails to cure the default within 30 days of written notice. Termination for failure to cure within such 30-day period will be effective upon written notice by Franchisor to Franchisee. Defaults shall include, but not be limited to, the following:

(a) Franchisee fails to maintain the then-current operating procedures, requirements or System standards established by Franchisor as set forth herein, in the Manual or otherwise communicated to Franchisee;

(b) Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(c) Franchisee makes an unauthorized change to its facility;

(d) Franchisee or any entity which owns or has the right to use the real property from which the StarCycle Studio is operated defaults under any term of the Lease or purchase loan, any other agreement with Franchisor or any other agreement material to the StarCycle Studio and such default is not cured within the time specified in such Lease, purchase loan, other franchise agreement or other material agreement;

(e) Franchisee fails to attend any mandatory meetings or programs (in which case, to cure, Franchisee shall pay

Franchisor a One Thousand Dollar ($1,000) penalty for failure to attend);

(f) Franchisee fails to submit to Franchisor a copy of any government issued report, citation or violation of any regulation, ordinance, permit or law governing the operation of the StarCycle Studio immediately upon receipt thereof;

(g) Franchisee fails to cure any citation or violation provided in Section 17.1(f) within five (5) days of issuance, or other reasonable period in Franchisor's sole discretion;

(h) Franchisee breaches any other provision of this Agreement not specifically mentioned in this Section.

17.3 Right to Enter Business. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights, Franchisor may have against Franchisee, upon a failure by Franchisee to cure any default within the applicable time period (if any), Franchisor shall have the right, but not the obligation, to enter upon the Franchised Location and operate the Franchised StarCycle Studio 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 Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee shall pay Franchisor the Interim Management Fee and reimburse Franchisor for all Franchisor's reasonable costs of doing business during Franchisor's period of operation including but not limited to costs associated with payroll, insurance, utilities, advertising, marketing, rent, mortgage payments and supplies, the cost of Franchisor's personnel and their travel, food and lodging accommodations. All of Franchisee's employees shall remain under the employ of Franchisee and shall not become employees of Franchisor. If Franchisor undertakes to operate the Franchised StarCycle Studio pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of Franchisor's operation of the StarCycle Studio. Franchisor shall also have the right to retain any profits during its period of operation of the Franchised StarCycle Studio and charge Franchisee a reasonable management fee.

17.4 Termination by Franchisee. Franchisee may terminate this Agreement only as a result of a breach by Franchisor of a material provision of this Agreement and provided that: (i) Franchisee provides Franchisor with written notice of the breach that identifies the grounds for the breach; and (ii) Franchisor fails to cure the breach within 30 days after receipt of the written notice. If Franchisor fails to cure the breach, the termination will be effective 60 days after Franchisor's receipt of written notice of breach. The termination of this Agreement under this Section shall not release or modify Franchisee's obligation to comply with all post-term obligations set forth in this Section. Further, a termination of this Agreement by Franchisee in violation of this Section shall be deemed to be a termination without cause and a breach hereof by Franchisee. Franchisee agrees that it shall not on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

17.5 No Accord and Satisfaction. No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided in this Agreement or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

17.6 Payments of Amounts Due. Franchisee agrees to pay within 5 days of the effective date of termination or expiration of the Franchise Agreement all amounts owed to Franchisor, the landlord of the Franchised Location or other premises used in the StarCycle Studio (if applicable) and Franchisee's trade and other creditors which are then unpaid.

17.7 Cross-Default. If Franchisee, or any partnership or joint venture or corporation in which Franchisee (or any of its shareholders, members, owners, managers or partners) has a controlling equity interest, is a franchisee pursuant to another Franchise Agreement with Franchisor, or any other agreement, a default under this Agreement shall constitute a default under any such other agreement and vice versa, with like remedies available to Franchisor. If any other agreement terminates for any reason, then Franchisor may at its option terminate this Agreement, and likewise should this Agreement terminate for any reason, Franchisor may at its option terminate the other agreement. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder shall be both joint and several. A breach hereof by one such entity or Franchisee shall be deemed to be a breach by both or all.

17.8 Post-Termination or Expiration Obligations. Franchisee agrees that on termination or expiration of this Agreement, it shall take the following action:

(a) Refrain from, directly or indirectly, at any time or in any manner, identifying itself or any StarCycle Studio as a current franchisee or authorized licensee of Franchisor or its Affiliates; refrain from using any Mark, any colorable imitation thereof, or other indicia of the StarCycle Studio in any manner or for any purpose, or use for any purpose any trade name, trade mark, service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor or its Affiliates; discontinue use of all signs, structures, forms of advertising, social media postings, telephone listings, facsimile numbers, e-mail addresses, the Manual, and all materials, Products and Services of any kind which are identified or associated with the System and immediately return all these materials and Products to Franchisor;

(b) Immediately cease operations of the Franchised StarCycle Studio and pay all amounts due to Franchisor, its Affiliates, and approved or designated suppliers within five days of such termination or expiration. Immediately turn over to Franchisor all materials, including the Manual, customer lists, records, files, instructions, brochures, marketing materials, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the StarCycle Studio (all of which are acknowledged to be Franchisor's property and not subject to any purchase options under Section 16). Under no circumstances shall Franchisee retain any printed or electronic copies of the Manual, Confidential Information or Trade Secrets or portions thereof on expiration or termination of this Agreement;

(c) Franchisee hereby acknowledges that all phone numbers, facsimile numbers and Internet addresses used in the operation of the StarCycle Studio constitute assets of the StarCycle Studio; and on termination or expiration of this Agreement, Franchisee shall take such action within 5 days to cancel or assign to Franchisor or its designee as determined by Franchisor, all of Franchisee's right, title and interest in and to phone numbers, facsimile numbers and Internet addresses and notify the phone company and all listing agencies of the termination or expiration of Franchisee's right to use any phone number and Internet and e-mail addresses, and any regular, classified or other phone directory listing associated with the Marks and to authorize a transfer of these to or at the direction of Franchisor. Franchisee acknowledges as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all phone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the StarCycle Studio and/or associated with the Marks and thus are not subject to any purchase option under Section 16. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its 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. Attachment Eevidences such appointment;

(d) Make no representation nor state that Franchisee is in any way approved, endorsed or licensed by Franchisor or associated or identified with Franchisor or the System in any manner;

(e) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or StarCycle Studio name or fictitious name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System, and take any actions required by Franchisor to de-identify the Franchised Location with the Marks, Confidential Information and Trade Secrets including without limitation, changing the décor, signage, flooring, fixtures, furniture and equipment;

(f) Provide Franchisor the option to purchase the business and assets as set forth in Section 16;

(g) Comply with the restrictive covenants contained in this Agreement, including without limitation the provisions of Section 14 and any post-termination provisions provided in the Operations Manual;

(h) Assist in the transition of the StarCycle Studio to Franchisor or a successor franchisee; and,

(i) Refrain from making any disparaging remarks about Franchisor.

17.9 Removal of Signs by Franchisor. If, within 30 days after termination or expiration of this Agreement by Franchisor, Franchisee fails to remove all displays of the Marks from the StarCycle Studio, which are identified or associated with the System, Franchisor shall have the right, but not the obligation, to enter the StarCycle Studio to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any such items of personal property.

17.10 Modification of Business Name Filings. If, within 30 days after termination or expiration of this Agreement Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any StarCycle Studio name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

17.11 Reservation of Rights. Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration. Nothing herein shall prevent Franchisor from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for Franchisor to seek preliminary or permanent injunctive relief, Franchisor may do so without a bond.

17.12 Survival. All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 3, 9, 11, 14, 16, 19, 20, 21 and Section 17.6, hereof shall survive termination or expiration of this Agreement.

17.13 Notes and Liens Held by Franchisor. In the event that this Agreement expires or is terminated for any reason whatsoever and Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the StarCycle Studio or which are situated on the StarCycle Studio premises, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

17.14 Cumulative Rights. Franchisor's rights hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement of any of its other rights or remedies herein contained, or to which it is entitled by law.

18. **NOTICES**.

Any notice of default under this Agreement shall be delivered personally or by courier in the case of Notice to Franchisee to the Franchised Location or such other address designated by Franchisee, or in the case of Notice to Franchisor, to the address provided below. Any other notice, request, demand, approval, consent or other communication which the parties may be required or permitted to be given under this Agreement shall be in writing and shall be given to the party for whom it is intended by personal delivery, facsimile transmission or delivering it to such party by mailing it by prepaid first-class mail or by any mail or courier service that provides confirmation of delivery:

To Franchisor:

StarCycle Franchise, LLC
375 Second Street
Lake Oswego, Oregon 97034
Attn: Legal Department

To Franchisee:
[At Franchisee's Franchised Location address or the home address of any Guarantor listed in Attachment B.]

_____
_____

Attn:

with a copy to:

_____
_____
_____

Any notice or other document delivered personally or by facsimile transmission shall be deemed to have been received by and given to the addressee on the day of delivery. Any notice or other document mailed shall be deemed to have been received by and given to the addressee on the day indicated by the confirmation of delivery or if no confirmation is requested, on the third business day after placing it in the mail or on the business day immediately following deposit with Federal Express or a similar overnight courier service that provides evidence of receipt. Any party may at any time give notice in writing to any other party of any change of address.

19. **DISPUTE RESOLUTION**.

19.1 Applicability of Dispute Resolution Obligations. This dispute resolution clause applies to claims by and against the parties and their affiliates, successors, owners, managers, officers, directors, employees, agents and representatives as to claims arising out of or relating to this Agreement, or of violation of any applicable law or regulation, except as stated below. This dispute resolution clause shall survive the termination or expiration of this Agreement.

19.2 Applicable Law. Subject to Franchisor's rights under the trademark laws and the parties' rights under the Federal Arbitration Act, the parties' rights under this Agreement, and the relationship of the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the State of Oregon.

19.3 Negotiation and Mediation Requirements. The parties shall first attempt to resolve any dispute relating to or arising out this Agreement by negotiation at Franchisor's offices or other mutually agreed on location. Any dispute not successfully resolved by negotiation shall be submitted first to non-binding mediation. Mediation will be before a single skilled independent mediator mutually agreed to by the parties, or, if they cannot agree, then one appointed by the American Arbitration Association (AAA). The parties will equally bear the costs of mediation. Mediation will be conducted pursuant to the procedures of AAA at the option of the party initiating mediation or other mediation service agreed to by the parties. The mediation will be conducted in the city that AAA has an office nearest Franchisor's headquarters office, unless otherwise mutually agreed.

19.4 Arbitration Requirements if Mediation is Unsuccessful; Exceptions. If the parties are unable to reach resolution of any claim through mediation as provided in Section 19.3 above, and except as otherwise provided in this Section 19.4, any controversy or dispute arising out of, or relating to the franchise or this Agreement shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute between the parties, including but not limited to, any claim against a past or present employee, officer, director, member, shareholder or agent of Franchisor, any claim of breach of this Agreement, and any claims arising under state or federal laws. Franchisee shall provide Franchisor with written notice of any claim and a 60-day opportunity to cure any alleged default prior to bringing any such claim before a third-party adjudicator. Subject to this Section 19.4, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act and arbitration shall take place according to the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. However, arbitration will not be required to be used for any dispute which involves (i) Franchisee's misuse of any of the Marks or the System, business concept or any issue involving injunctive relief against Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets; (b) any claims pertaining to or arising out of any warranty issue; (c) any of the restrictive covenants contained in Section 14 of this Agreement; or (d) any claims to collect past due amounts owed to Franchisor or its Affiliates all of which issues may be submitted to a court within the State of Oregon.

19.5 Consent to Jurisdiction. The parties expressly consent to personal jurisdiction and venue in the State of Oregon and agree that such courts will have exclusive jurisdiction over any such issues not subject to arbitration.

19.6 Forum for Arbitration. The arbitration shall be held in Clackamas County, Oregon, and be heard by one arbitrator who has a minimum of five (5) years of experience in franchise law or complex commercial transactions. The fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The award of the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of

carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

19.7 No Preclusion/Collateral Estoppel. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

19.8 No Class Actions/Proceedings. The parties agree that all proceedings, whether in mediation, arbitration, or litigation, shall be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, its principals or guarantors, and Franchisor, its Affiliates or personnel may not be consolidated with any other proceeding between Franchisor and any other person or entity.

19.9 No Punitive Damages. The parties and their affiliates agree to waive, to the fullest extent permitted by law, any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained. .BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

19.10 Business Judgment. If Franchisor makes a decision based upon its reasonable business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor. The fact that a mediator or judge might reach a different decision than the one made by Franchisor is not a basis for finding that Franchisor made its decision without the exercise of reasonable business judgment. Franchisor's duty to exercise reasonable business judgment in making certain decision does not restrict or limit Franchisor's right under this Agreement to make other decisions based entirely on Franchisor's sole discretion as permitted by this Agreement. Franchisor's sole discretion means that Franchisor may consider any set of facts or circumstances that it deems relevant in rendering a decision.

19.11 Attorney's Fees and Costs. Notwithstanding Section 19.5, if either party institutes an arbitration or legal proceeding, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, its reasonable attorneys' fees, court or arbitration costs and all of the prevailing party's expenses in connection with any action at law. In an arbitration proceeding, the arbitrator shall fix the award of such fees and costs.

19.12 Franchisor Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and employees are express third-party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 19, each having authority to specifically enforce the right to mediate or arbitrate claims asserted against such person(s) by Franchisee.

19.13 Statute of Limitations. Except for claims arising from Franchisee's non-payment or underpayment of amounts owed to Franchisor, any and all claims arising out of or relating to this Agreement or the relationship between the parties will be barred unless a judicial, mediation or arbitration proceeding is commenced within two (2) years from the date on which the party asserting the claim know or should have known of the facts giving rise to the claim.

20. **MISCELLANEOUS**.

20.1 Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute, and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop and change the System in any manner that is not specifically and expressly precluded by the provisions of this Agreement.

20.2 Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be severable and the rest of this Agreement shall remain in full force and effect.

20.3 No Waiver. No failure, forbearance, neglect or delay of any kind on the part of Franchisor in enforcing or exercising any rights under this Agreement shall affect or diminish Franchisor's right to enforce and take full benefit of each provision of this Agreement at any time, whether for damages, for injunctive relief, specific performance, or otherwise.

No custom, usage or practice with regard to this Agreement by Franchisee or Franchisor's other franchisees shall preclude the enforcement of this Agreement pursuant to its terms. No waiver by Franchisor of performance of any provision of this Agreement shall constitute or be implied as a waiver of Franchisor's right to enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding on Franchisee or Franchisor or effective unless in writing signed by Franchisee and Franchisor.

20.4 Entire Agreement. This Agreement, together with its exhibits, attachments, addenda or ancillary documents, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, System or StarCycle Studio. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in Franchisor's Franchise Disclosure Document.

20.5 Section Headings. Section headings are for convenience only and do not define, limit or construe the contents of the sections.

20.6 Date Calculations. When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded; if the last day of such period is a non-StarCycle Studio day, the period in question shall end on the next StarCycle Studio day. Time shall be of the essence of this Agreement and of every part thereof.

20.7 Force Majeure. Neither party hereto shall be liable for any loss or damage due to any delay in the performance of the terms hereof (except for the payment of money) by reason beyond the party's control and which are due to epidemics, pandemics, strikes, lockouts and other labor relations, fires, riots, wars, embargoes, and civil commotion, or acts of God ("Force Majeure Event"). Any such delay shall extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees, Marketing Fees, and all other fees required by this Agreement when due.

20.8 Further Assurances; Power of Attorney. Franchisee shall execute and deliver such further instruments, contracts, forms and other documents, and shall perform such further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein. Franchisee hereby irrevocably appoints Franchisor as its attorney in fact, and hereby empowers it to execute such instruments regarding the Marks for and in Franchisee's name to give full effect to Sections 3, 11, and 15 of this Agreement. Franchisee agrees that the powers of attorney granted herein may also be exercised during any legal incapacity of Franchisee.

20.9 Binding Effect. This Agreement shall be binding on, and subject to Section 15 hereof, shall inure to the benefit of the parties and their successors and permitted assigns.

20.10 Modification of Agreement. This Agreement may only be modified or amended by a written document executed by Franchisee and Franchisor. Franchisee acknowledges that Franchisor may modify the System and its standards and specifications and operating and marketing techniques set forth in the Operations Manual to the extent which Franchisor deems necessary to protect, promote, or improve the Marks, and the quality of the System.

20.11 Franchisor's Right of Delegation. Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder. Franchisee also acknowledges that it is not a third-party beneficiary of any agreement between Franchisor and any agent of Franchisor to whom Franchisor delegates any of its obligations or duties hereunder.

20.12 Agreement Interpretation. This Agreement shall not be construed more strictly against one party than the other merely by virtue of the fact that it has been prepared by counsel for Franchisor, it being recognized that Franchisee has been advised to seek legal counsel and has had the opportunity to contribute substantially and materially to the terms and preparation of this Agreement.

20.13 No Implied Warranties. THE FRANCHISOR SYSTEM, PRODUCTS AND SERVICES, INTELLECTUAL PROPERTY, MANUALS, SUPPORT SERVICES, AND ANY RELATED SERVICES ARE PROVIDED "AS IS" AND

"AS-AVAILABLE," WITH ALL FAULTS, AND WITHOUT WARRANTIES OF ANY KIND. FRANCHISOR DISCLAIMS ALL OTHER WARRANTIES, EXPRESS AND IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, QUIET ENJOYMENT, QUALITY OF INFORMATION, AND TITLE/NON-INFRINGEMENT. ALL PRODUCTS AND SERVICES OF THIRD-PARTY PROVIDERS ARE PROVIDED AS-IS, WITHOUT WARRANTIES OF ANY KIND. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY FRANCHISOR OR ITS AUTHORIZED REPRESENTATIVES WILL CREATE ANY OTHER WARRANTIES OR IN ANY WAY INCREASE THE SCOPE OF FRANCHISOR'S OBLIGATIONS UNDER THIS AGREEMENT.

20.14 Improvements. Franchisor has the right to operate, administrate, develop and change the System in any manner that is not specifically and expressly precluded by the provisions of this Agreement.

21. **COVENANTS, REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS**.

21.1 Representations, Covenants and Warranty by Franchisee. Franchisee covenants, represents, warrants, and acknowledges that Franchisor is relying upon the following covenants, representations and warranties in making its decision to enter into this Agreement:

(a) Franchisee acknowledges that Franchisee has had time to read, has read, and understands this Agreement and the other related agreements and accepts their terms, conditions and covenants.

(b) Franchisee acknowledges that the terms contained in this Agreement and the Operations Manual are reasonably necessary to maintain the System's uniformly high standard of quality and service, the goodwill of the Marks and the StarCycle brand. Franchisee acknowledges the Operations Manual is intended to protect Franchisor's standards, systems, names, and Marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.

(c) Franchisee acknowledges that Franchisor has advised Franchisee to obtain independent legal and accounting advice with respect to this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the StarCycle Studio, Franchisor and this Agreement.

(d) Franchisee is financially and otherwise able to accept the risks associated with developing and operating the StarCycle Studio. Franchisor makes no guaranty or warranty that Franchisee will be able to secure the financing required and provided in Section 6.1(b) of this Agreement.

(e) All statements made by Franchisee in writing in connection with its application for this franchise were and are, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement.

(f) Franchisee has conducted an independent investigation of the StarCycle Studio contemplated by this Agreement. Franchisee acknowledges that this Agreement has been entered into by Franchisor in reliance on the information supplied in Franchisee's franchise application.

(g) Franchisee acknowledges that other franchisees, whether current or future, may operate under different forms of the franchise agreements, and consequently, that Franchisor's obligations and rights with respect to other franchisees may differ materially.

(h) This entire Agreement, including corrections, changes, attachments and addenda, will only be binding on Franchisor when executed by Franchisor's authorized representative.

(i) Franchisee certifies that neither Franchisee, nor its owners, principals, employees or anyone associated with Franchisee are listed in the Annex to Executive Order 13224 (including as amended or replaced). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, personnel, or anyone

associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in this Agreement pertain to Franchisee's obligations under this Section 21.1. Any misrepresentation by Franchisee under this Section or any violation of the Anti- Terrorism Laws by Franchisee, Franchisee's owners, principals or personnel shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 17 above. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

21.2 Authority to Sign this Agreement. Each of the undersigned parties warrants that it has the full authority to sign and execute this Agreement. If Franchisee is a partnership, corporation, limited liability or other entity, the person executing this Agreement on behalf of such partnership, corporation, limited liability or other entity warrants to Franchisor, both individually and in its capacity as partner, officer, manager, member or shareholder, that all of the partners, officers, members, managers or shareholders, as applicable, have read and approved this Agreement including any restrictions which this Agreement places on the right to transfer their interest in the partnership or entity.

21.3 Franchisee's Single Point of Contact. The individual identified in Exhibit F is Franchisee's single point of contact ("**SPOC**") for communications with the Franchisor. Such individual must be one of Franchisee's owners and must have completed Franchisor's mandatory training program. Any communication from Franchisor to the SPOC will be deemed to have been given to the Franchisee and all of its owners. The Franchisee will ensure that communications to the Franchisor typically will be given by and through the SPOC. Franchisee will notify Franchisor in writing if Franchisee desires to change the SPOC.

21.4 Withholding Consent. Our consent, whenever required by this Agreement, will be at our sole and absolute discretion unless expressly stated otherwise herein and may be withheld if you are in breach of this Agreement. In this Agreement, the phrase "at our discretion" or similar wording shall mean "at our sole and absolute discretion."

[SIGNATURES ON NEXT PAGE.]

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

STARCYCLE FRANCHISE, LLC,
an Oregon limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

_____
[FILL IN NAME IN CAPS FOR INDIVIDUAL(S)]

By: _____, individually

Printed Name:_____

Date: _____

By: _____, individually

Printed Name:_____

Date: _____

And if a corporation, partnership or limited liability company:

_____
[FILL IN COMPANY NAME IN CAPS]

By: _____

Printed Name:_____

Title: _____

Date: _____

[Signature page to StarCycle Franchise Agreement]

ATTACHMENT A TO STARCYCLE
FRANCHISE AGREEMENT

TERRITORY

1. Franchised Location and Territory.

(a) The Search Area for the Franchise Location as set forth in Section 4 of the Agreement shall be:

_____

_____

_____

(b) The Territory set forth in Section 4 of the Agreement is described below and/or as described in the map contained in Exhibit 1 which is attached to this Attachment A and incorporated by reference into this Attachment A;

_____

_____

_____

(c) If known at the time the Agreement is executed, or if not, then added after the execution date, the address of the Franchised Location set forth in Section 4.1 of the Agreement shall be:

_____

2. Acceptance of Franchised Location. Franchisee acknowledges and agrees that (1) Franchisor's acceptance of the Territory and/or Franchised Location does not constitute a guarantee, recommendation or endorsement of the Territory and/or Franchised Location, or the success of the StarCycle Studio; (2) Franchisor's acceptance or approval of the Territory and/or Franchised Location does not constitute a representation or warranty that Franchisee will be able to obtain zoning changes or other entitlements necessary to operate a StarCycle Studio; and (3) Franchisor has complied with its obligations under the Agreement to assist Franchisee by providing the criteria for the Franchised Location

STARCYCLE FRANCHISE, LLC

By:_____

Name:_____

Title:_____

FRANCHISEE

By: _____

Name: _____

Title: _____

By: _____, individually

Printed Name:_____

By: _____, individually

Printed Name:_____

ATTACHMENT B TO STARCYCLE
FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the StarCycle Franchise Agreement executed between _____ ("**Franchisee**") and StarCycle Franchise, LLC, an Oregon limited liability company ("**Franchisor**"), on _____, 20____ (for purposes of this Attachment B only, the ("**Agreement**"), each of the undersigned (collectively, "**Guarantor**") hereby personally and unconditionally:

1. Guarantees to Franchisor and its successors and assigns, that she/he/it shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and,

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision of the Agreement, including but not limited to the terms of Sections 8 (fees), 14 (restrictive covenants) and 19 (dispute resolution) of the Agreement.

Each of the undersigned waives the following:

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

4. Notice of demand for payment of any indebtedness or nonperformance of any obligation hereby guaranteed;

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

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

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

Each of the undersigned consents and agrees that:

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

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

10. Such liability shall not be contingent or conditioned on Franchisor's pursuit of any remedies against any Guarantor, Franchisee or any other person;

11. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to any Guarantor, Franchisee or to any other person, including without limitation, acceptance of any partial payment or performance, or the compromise or release of any claim, none of which shall modify or amend this guaranty, which shall be continuing and irrevocable during the Term, including renewals thereof;

12. He or she shall be bound by the restrictive covenants, confidentiality provisions and indemnification provisions contained in the Agreement;

13. The provisions contained in Sections 19 (dispute resolution) and 20 (miscellaneous) of the Agreement shall govern this Guaranty and Assumption of Franchisee's Obligations ("**Guaranty**") and such provisions are incorporated into this Guaranty by reference;

14. the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person (including others of the undersigned);

15. the Franchisor may proceed against the Guarantor without having commenced any action, or having obtained any

judgment, against the Franchisee;

16. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement of this Guaranty will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for the enforcement of this Guaranty, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency; and

17. any obligations or debt owing from Franchisee to the undersigned shall be subordinate to Franchisee's obligations under the Agreement and this Guaranty.

Each of the undersigned represents and warrants that:

18. The Franchisee is a(n): [ ]Individual [ ] Partnership [ ]Corporation [ ]Limited Liability Company [ ] Other

19. If the Franchisee is a business entity, it was formed under the laws of the State of _____ and is owned by the following individuals:

Name	Address	Percentage Ownership

20. Each of the undersigned has carefully read the Agreement and all other related documents to be signed concurrently or in conjunction herewith, has obtained the advice of counsel in connection with entering into this Agreement, understands this Agreement, and intends to comply herewith and be bound hereby.

21. The undersigned spouse or legal domestic partner of Guarantor has read and understands the Franchise Agreement and Franchise Disclosure Document and consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer, the execution of the Franchise Agreement by Franchisee, and the execution of the Guaranty and Assumption of Franchisee's Obligations by Guarantor and Guarantor's spouse or legal domestic partner.

Miscellaneous:

22. Guarantor further agrees to reimburse the Franchisor for all costs and expenses which the Franchisor may incur in the enforcement of any of its rights under this Guaranty, including reasonable attorneys' fees.

23. Nothing in this Guaranty shall be deemed or taken to be a condition or limitation of any of the rights of the Franchisor against the Franchisee.

24. This Guaranty shall continue in full force and effect until all of the obligations of the Franchisee have been fully satisfied.

25. The terms and provision of this Guaranty shall be binding upon and inure to the benefit of the successors and assigns of the Guarantor and Franchisor.

26. No provision of this Guaranty or right of Franchisor hereunder can be waived or modified, nor can Guarantor be released from Guarantor's obligations hereunder, except by a writing duly executed by Franchisor.

27. Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

28. This Guaranty shall be governed by and construed in accordance with the laws of the State of Oregon. In any action brought under or arising out of this Guaranty, Guarantor hereby consents to the jurisdiction of any competent court within Clackamas County, Oregon and hereby consents to service of process by any means authorized by Oregon law.

29. This Guaranty shall constitute the entire agreement of Guarantor with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon Franchisor unless expressed herein.

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

GUARANTOR:

_____
Signature

_____
Printed Name

_____
Date

SPOUSE:

_____
Signature

_____
Printed Name

_____
Date

GUARANTOR:

_____
Signature

_____
Printed Name

_____
Date

SPOUSE:

_____
Signature

_____
Printed Name

_____
Date

ATTACHMENT C TO STARCYCLE
FRANCHISE AGREEMENT

NONDISCLOSURE AND
NONCOMPETITION AGREEMENT

This NONDISCLOSURE AND NONCOMPETITION AGREEMENT ("Agreement") is entered into this _____ day of _____, 20___, between _____ ("**Associate**") and StarCycle Franchise, LLC, an Oregon limited liability company ("**Company**").

RECITALS

A. Associate desires to become a franchisee of the Company ("**Franchisee**") or is an officer, partner, shareholder, director, agent, manager, Studio Manager (as hereinafter defined) or other owner of the Franchisee or one who may become privileged to Company's Confidential Information and Trade Secrets (as hereafter defined);

B. Company is engaged in the business of selling franchises for the operation of StarCycle Studios which offer specialized indoor cycling exercise classes and related products under the brand name "StarCycle" (the "**StarCycle Franchise**"). StarCycle Studios operate using the Company's System (as defined in the Franchise Agreement) in association with the trademarks including "**StarCycle**" and other service marks, trademarks, logo types, trade dress, designs and other commercial symbols (collectively, the "**Marks**");

C. Company has developed methods for establishing, operating and promoting StarCycle Studios pursuant to the Company's distinctive business formats, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks and information and know-how of the Company ("**Confidential Information**" and "**Trade Secrets**") and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company;

D. Company wishes to restrict the uses of Company's Confidential Information and Trade Secrets and Associate agrees to the terms of this Agreement as partial consideration for the Company's willingness to allow Franchisee to operate the StarCycle Studio.

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

1. Definitions.

(a) "**Associate**" shall mean the individual or entity described in the introductory paragraph of this Agreement.

(b) "**Competitive Business**" as used in this Agreement means any spinning or indoor cycling exercise business, and any business substantially similar to the StarCycle Franchise; provided, however, Associate is permitted to own not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) "**Confidential Information**" shall mean without limitation, all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the StarCycle Studio and includes all records pertaining to customers, suppliers and other service providers of, and/or related in any way to, the StarCycle Studio including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies, operational standards, and any other data and information which the Company or its affiliates designates as confidential including all information contained in the Company's operations manual, which may be provided as one or more separate manuals, written instructional guides, or other communications or directives from the Company or its affiliates, which may be changed or supplemented from time to time.

(d) "**Franchise Agreement**" shall mean the Franchise Agreement between Company and dated _____ _____ as amended or renewed from time to time.

(e) "**Studio Manager**" shall mean the person designated to direct the operations of the StarCycle Studio.

(f) "**Territory**" shall have the meaning defined in the Franchise Agreement.

(g) "**Term**" shall have the meaning defined in the Franchise Agreement.

(h) "**Trade Secret**(s)" shall mean information, including a formula, pattern, compilation, program, device, method, technique or process related to the Franchise StarCycle Studio that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and Company acknowledge that the Confidential Information and Trade Secrets which are developed and used in connection with the operation of the StarCycle Studio constitute unique and exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would cause irreparable injury and harm to the Company or its affiliates. Associate further acknowledges that the Company or its affiliates has expended a great amount of effort and money to obtain and develop the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets.

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

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain before being communicated to Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession prior to the date of the Franchise Agreement or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Franchisee is legally compelled to disclose the information, if the Associate has notified the Company before the disclosure and used the Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed. In addition, notwithstanding any other provision of this Agreement, pursuant to the Defense Secrets Act of 2016 an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (1) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5. Noncompetition Covenant. Associate acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the StarCycle franchise, Associate will not, during the Term and any renewal Terms of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or any gym or fitness center;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the StarCycle Franchise, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. Post-Termination Covenant Not to Compete. On termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years (18 months in Washington) commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (by or through any other person or entity or otherwise) as an owner, investor, partner, director, officer, studio manager, employee,

consultant, representative or agent or in any other capacity in any Competitive Business, located or operating:

(a) in the Territory or any other franchisee's territory; (b) within 25 miles of the Territory; or (c) within 25 miles of any Company or Company's affiliate owned StarCycle Studio or any other franchisee's territory.

The restrictions of this Section 6 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

The parties expressly agree that if the scope of enforceability of the provision of Sections 5 and 6 are disputed at any time by Associate, a court or arbitrator may modify Sections 5 and 6 to the extent that deemed necessary to make such provisions enforceable under applicable law. ASSOCIATE EXPRESSLY ACKNOWLEDGES THAT THE ASSOCIATE POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE ASSOCIATE OF THE ABILITY TO EARN A LIVING.

7. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds. Associate's sole remedy, in the event of the entry of such injunctive relief, shall be dissolution of such injunctive relief, if warranted, provided, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose Company's Confidential Information and Trade Secrets in any circumstances.

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

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

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

11. Entire Agreement. This Agreement contains the entire agreement of the parties relating to its subject matter. The Agreement may not be changed, except in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

12. Governing Law. This instrument shall be governed by and construed under the laws of the State of Oregon.

13. Severability. If any provision of this Agreement shall be held void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provision of this Agreement which shall otherwise remain in full force and effect.

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

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

COMPANY:

STARCYCLE FRANCHISE, LLC

By: _____

Title:_____

Date:_____

ASSOCIATE:

Signed: _____

Print Name:_____

Date: _____

Signed: _____

Print Name: _____

Date: _____

ATTACHMENT D-1 TO STARCYCLE
FRANCHISE AGREEMENT

ADDENDUM TO LEASE

This Addendum to Lease, dated _____, 20____ (the "**Addendum**") is entered into by and among _____ a _____ ("**Lessor**"), and _____ a _____ ("**Lessee**").

RECITALS

A. Lessor and Lessee have entered or are about to enter into an agreement to lease, dated _____ 20___ , pertaining to the premises located at_____(the "**Lease**").

B. Lessee intends to operate a StarCycle Studio from the leased premises (the "**Premises**") pursuant to a Franchise Agreement (the "**Franchise Agreement**") with StarCycle Franchise, LLC, an Oregon limited liability company ("**Franchisor**").

C. Lessor and Lessee desire to amend the Lease to preserve the Premises as a StarCycle branded franchise location and to provide certain rights to Franchisor on termination or expiration of the Franchise Agreement or Franchisee's default under the Lease.

AGREEMENT

NOW, THEREFORE, Lessor, Lessee and Franchisor agree as follows:

1. Approved Use. Lessee shall have the right to use the Premises for an indoor cycling exercise studio offering indoor cycling classes, the retail sale of products, as well as for any other lawful purpose.

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 such proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement, any successor Franchise Agreement or directive provided by Franchisor. Notwithstanding the foregoing, Lessee shall not make any alteration to the Premises that would compromise the structural integrity thereof.

3. Contingencies. If Lessee is unable to obtain entitlements necessary to develop or operate the StarCycle Studio contemplated by the Lease or in the Franchise Agreement, including but not limited to zoning, building permits or occupancy certificates, Lessee may elect to terminate the Lease by providing Lessor with written notice. On such termination, Lessor may retain any deposit paid under the Lease as liquidated damages, and both parties shall thereafter be released from all obligations under the Lease. The parties acknowledge that Lessor's damages may be difficult to ascertain and agree that the amount of the liquidated damages provided in this Section 3 represents a reasonable estimate of Lessor's damages. Lessor expressly waives the remedies of specific performance and additional damages.

4. Approval of Lease Modifications. Lessee shall not amend, assign, sublease, terminate or otherwise modify the Lease without Franchisor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed as long as the same does not violate any provision of the Franchise Agreement. Any amendment, assignment, sublease, termination or other modification of the Lease without Franchisor's prior written approval, shall be null and void and of no force or effect. Neither Lessee nor its affiliates shall acquire any real property to conduct the StarCycle Studio without Franchisor's prior written consent.

5. Noise and Nuisance. Any noise, disturbance or music emanating from Lessee's StarCycle Studio at the Premises shall not constitute a default or grounds for termination under the Lease. Lessor shall not take any action against Lessee, including but not limited to the imposition of a fine, default, termination, eviction or other sanction against Lessee for any noise, disturbance or nuisance related to such music.

6. Rules and Regulations. Lessor shall not make any rule or regulation that interferes with Lessee's intended use of the Premises or renders Lessee unable to conduct its business in the ordinary course without modification to the Premises.

7. Assumption of Lease by Franchisor.

(a) Franchisor shall have the right (but not the obligation) to assume Lessees' right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, after the occurrence of a default by Lessee under the Lease or Franchise Agreement without first obtaining Lessor's or Lessee's consent. Lessee hereby absolutely and unconditionally assigns the Lease to Franchisor effective upon the occurrence of an event of default and expiration of applicable cure period, if any, under the Franchise Agreement or the Lease. Franchisor shall notify Lessor in writing of its intent to exercise its right under this Section 7(a) upon the earlier of (i) fifteen (15) days after the expiration of any cure period applicable to Lessee's breach, if any, or (ii) fifteen days from receipt by Franchisor of notice from Lessor of Lessee's breach of the Lease for which no cure period is applicable. No assumption shall be effective until such time as Franchisor gives Lessor written notice of its acceptance of such assumption and Lessor delivers possession of the Premises to Franchisor. Franchisor shall have the right, at any time until Lessor delivers possession of the Premises, to rescind its exercise of the option to assume the Lease, by providing Lessor written notice thereof. Nothing herein (i) shall constitute acceptance of such assumption by Franchisor, (ii) shall be deemed to render Franchisor a party to the Lease, or guarantor thereof, or (iii) shall create any liability or obligation of Franchisor unless and until the Lease is assumed in writing by Franchisor. In the event of any assumption, Lessee shall remain liable for its responsibilities and obligations under the terms of the Lease including without limitation amounts owed to Lessor through the Assumption Date. In connection with such an assumption, Franchisor agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Lessee to be performed under the Lease after the Assumption Date. Franchisor shall not be required to cure defaults and/or be obligated to perform or discharge any obligation, duty or liability under the Lease, including without limitation paying rent, for any time before assumption of the Lease.

(b) Franchisor may assign the Lease to a new franchisee without Lessor's consent provided the new franchisee meets or exceeds the reasonable financial qualifications of a similarly situated tenant of premises similar in like, kind, location and square footage as the Premises as of the commencement date of the Lease ("Financial Standards"). Franchisor shall be fully released from any and all liability under the Lease and this Lease Addendum upon such reassignment, however, Franchisor shall continue to have the same rights hereunder with regard to any new franchisee. If Lessor reasonably withholds consent to the new franchisee because it does not meet the Financial Standards test and Franchisor does not take, or has not taken, an assignment of the Lease pursuant to Section 7(a), Lessor shall, within five (5) days after Franchisor's request, recapture the Premises and thereafter, Franchisor shall be fully and forever released from any liability under the Lease and this Lease Addendum.

(c) Lessee shall and does hereby agree to indemnify, defend and hold harmless Franchisor from and against and from any and all liability, loss, damage, cost or expense (including reasonable attorney's fees) Franchisor may or might incur under the Lease or this Addendum, and from and against any and all claims and demands whatsoever that may be asserted against Franchisor by reason of any alleged obligation or undertaking on Franchisor's part to perform or discharge the terms, covenants or agreements contained in the Lease or this Addendum.

8. Franchisor Intellectual Property. On expiration, cancellation or termination of the Lease or Franchise Agreement, neither Lessee nor Lessor shall retain any right, title or interest in Franchisor's intellectual property, including but not limited to its Operations Manual (and all directives and sub-manuals contained therein), trademarks, trade-dress, patents, copyrighted materials and exercise equipment (collectively, the "**Intellectual Property**"). On expiration, cancellation or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all Intellectual Property, or any material bearing the Intellectual Property, and to make changes to de-identify the Premises as a StarCycle Studio. If Franchisor exercises its purchase option under the Franchise Agreement to purchase the assets of Lessee, then Lessor shall permit Franchisor to remove all such assets being purchased by Franchisor. Franchisor will repair any damage to the Premises caused by Franchisor in removing its Intellectual Property and Assets within thirty (30) days of Lessor's written notification of such damage. If Franchisor fails to remove its Intellectual Property, or any material bearing the Intellectual Property, within fourteen (14) days of the expiration or termination of the Lease, Lessor may destroy all such Intellectual Property and dispose of any additional equipment without liability to Franchisor.

9. Limitation on Use. Lessor shall not during the term of the Lease or for a period of two (2) years *[in Washington, for a period of eighteen (18) months]* after its termination, lease any other space in the building or complex in which the Premises are located for use by a person or entity whose primary business is the provision of exercise services related to indoor cycling classes, and/or the retail sale of exercise products or apparel (collectively, the "Services"). "Primary business" shall be defined as any business that derives ten percent (10%) or more of its gross sales from the sale of the Services collectively or individually.

10. Default and Notice.

(a) Lessor shall promptly give Lessee and Franchisor written notice of any default or other event that constitutes a default under the Lease. Franchisor shall have an additional fifteen (15) days after the later of the default or expiration of Lessee's cure period to exercise the right, but not the obligation, to cure the default. Failure to cure a default shall not affect Franchisor's right to assume the Lease as provided herein.

(b) All notices, demands or other communications under this Addendum shall be in writing and any and all such items will be deemed to have been duly delivered on personal delivery; or as of the third business day after mailing by United States mail, certified, return receipt requested, postage prepaid; or on the business day immediately following deposit with Federal Express or a similar overnight courier service that provides evidence of receipt; addressed as follows:

To Franchisor:

StarCycle Franchise, LLC
375 Second Street
Lake Oswego, Oregon 97034

To Franchisee:

_____
_____
_____

To Lessor:

_____
_____
_____

Phone:

Email:

Fax:

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

11. Consideration; No Liability.

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

(b) Lessor and Lessee further acknowledge 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 and Lessee have entered into this Addendum with full understanding that it creates no duties, obligations or liabilities on Franchisor or any affiliate of Franchisor. For purposes of this Addendum, an "**affiliate**" refers to any person, corporation, firm, partnership, limited liability company, association or other entity controlling, controlled by or under common control with the person or entity in question or any individual or entity that controls such person or entity.

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

13. Amendments. No amendment or variation of the terms of the Lease or this Addendum to Lease shall be valid unless

made in writing and signed by the parties hereto.

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

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

16. Counterparts; Facsimile. A separate copy of this Addendum may be signed by each party, separately, and when signed by all parties, such copies taken together shall be deemed to be a full and complete agreement between the parties and a single document. Any signature may be transmitted by facsimile or email and such signature shall be valid and accepted for all purposes hereof.

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

18. Further Cooperation. Lessee and Lessor each further agree to execute on Franchisor's request, any and all instruments requested by Franchisor to carry out the terms and conditions of this Addendum or the assignment and assumption intended hereby.

19. Authority. The execution and delivery of this Addendum to Lease by the signatories hereof on behalf of each party, has been duly authorized by each party and is binding and enforceable against each party pursuant to its terms.

20. Severability. If any term, section or other provision of this Addendum shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such term, section or other provision shall not affect any of the remaining provisions of this Addendum.

21. Third Party Beneficiary. Lessor and Lessee acknowledge and agree that Franchisor is a third-party beneficiary of this Addendum, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Addendum (which Franchisor may enforce directly against Lessee or Lessor, with or without the consent or joinder of Lessee or Lessor). Notwithstanding anything contained in this Addendum, Franchisor will have no liability under the lease agreement or this Addendum unless Franchisor expressly enters into a written agreement with Lessor.

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

LESSOR: _____

By: _____

Name: _____

Title: _____

TENANT: _____

By: _____

Name: _____

Title: _____

ATTACHMENT D-2 TO STARCYCLE
FRANCHISE AGREEMENT

LEASE INFORMATION FORM

(Due to Franchisor Within 30 Days of Signing Commercial Lease for Franchise Premises)

1. Rent Commencement Date: _____

2. Lease Expiration Date: _____

3. # of Option Extension Terms Available: _____

4. Earliest Option Renewal Notice Date: _____

5. Latest Option Renewal Notice Date: _____

6. # of Months of Free Rent (if Any): _____

7. Amount of Tenant Improvement Allowance to be Granted by Landlord:

$_____

8. Total Square Footage of Leased Space: _____

9. Total Construction Cost (Including Fixtures): $_____

The undersigned hereby represents and warrants to StarCycle Franchise, LLC that the above information is true and correct to the undersigned's best knowledge and belief.

Company Name: _____

By: _____

Name: _____

Title: _____

Date: _____

Individuals:

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

ATTACHMENT E TO STARCYCLE FRANCHISE AGREEMENT

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

THIS ASSIGNMENT is entered into this _____ day of_____, 20___, pursuant to the requirements of the StarCycle Franchise Agreement ("**Franchise Agreement**") between_____ ("**Franchisee**") and StarCycle Franchise, LLC, an Oregon limited liability company ("**Franchisor**"), signed concurrently with this Assignment.

In consideration for the right to enter into the Franchise Agreement, Franchisee hereby assigns to Franchisor (1) the telephone numbers and telephone directory listings (collectively, the "**Telephone Numbers and Listings**"), (2) the Internet Website Addresses ("**URLs**") and (3) social media pages (Facebook, Twitter, You Tube, image sharing sites, blogs and any other information sharing website or page communicated through the internet, text messages or other forms of wireless or computer generated communication or messaging) using or incorporating Franchisor's trade and service marks or other Confidential Information (as defined in the Franchise Agreement) (collectively, the "Social Media Pages") wherever located and whenever acquired, associated with Franchisor's trade and service marks and used in connection with the operation of the StarCycle Studio. Except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company, social media sites and/or the listing agencies with which Franchisee has placed telephone directory listings, and/or Franchisee's internet service provider and/or Social Media Page hosts to effectuate the assignment pursuant to the terms hereof (all such entities are collectively referred to herein as "**Media Outlets**").

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

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, on termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings, URLs and Social Media Pages. Franchisee appoints Franchisor as Franchisee's attorney-in-fact to direct the Media Outlets to assign the Telephone Number and Listings, URLs and Social Media Pages to Franchisor. Franchisee further agrees to execute such documents and take such actions as may be necessary to effectuate the assignment. On Franchisor's request, Franchisee shall immediately notify the Media Outlets to assign the Telephone Numbers and Listings, URLs and Social Media Pages to Franchisor. The parties agree that the Media Outlets may accept Franchisor's written direction, the Franchise Agreement and this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings, URLs and Social Media Pages and that such assignment shall be made automatically and effective immediately on the Media Outlet's receipt of such notice from Franchisor. The parties further agree that if the Media Outlet requires that the parties execute the Media Outlets' assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor shall have a power of attorney to execute such forms or documentation on behalf of Franchisee which shall effectuate Franchisee's consent and agreement to the assignment. The parties agree at any time after the effective date hereof to perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein.

(Signatures on following page)

Collateral Assignment of Telephone Numbers,
Telephone Listings, Internet Addresses and Social Media Pages

Signature Page

FRANCHISOR:

STARCYCLE FRANCHISE, LLC,
an Oregon limited liability company

By: _____

Name: _____

Title: _____

FRANCHISEE:

_____
_____, an individual

_____
_____, an individual

Name of Entity: _____

By: _____

Print Name: _____

Title: _____

ATTACHMENT F TO STARCYCLE
FRANCHISE AGREEMENT

FRANCHISEE'S SINGLE POINT OF CONTACT (SPOC)

The following individual is one of Franchisee's owners, has or will promptly complete Franchisor's initial training program, and will serve as the Franchisee's initial single point of contact (SPOC) for communications with the Franchisor as described in Section 21.3 of the Franchise Agreement: _____.

ATTACHMENT G TO STARCYCLE FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AUTHORIZATION AGREEMENT

The undersigned depositor ("**Depositor**") authorizes StarCycle Franchise, LLC ("**StarCycle**") to request debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below and the depository ("Depository") to debit the account according to StarCycle's instructions.

_____	_____
Depository	Branch

_____

Street Address, City, State, Zip Code

_____	_____
Bank Transit / ABA Number	Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from StarCycle and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it. If an erroneous debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____	_____
Depositor	Depository
_____	_____
By	By
_____	_____
Title	Title
_____	_____
Date	Date

ATTACHMENT H TO STARCYCLE FRANCHISE AGREEMENT

SAMPLE

EMPLOYEE CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

The Franchise Agreement requires you to sign a confidentiality and non-disclosure agreement with your personnel in a form satisfactory to us to protect us and our confidential information. Following is a sample form of agreement. It is solely your responsibility to ensure that the agreement complies with applicable legal requirements in your jurisdiction.

SAMPLE FORM

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT
(for use by Franchisee with its Personnel)

AGREEMENT made this_____day of_____, 20_____(the "**Effective Date**"), by and between _____("**Franchisee**"), on the one hand, and_____ ("**Recipient**"), on the other hand, with reference to the following facts:

A. StarCycle Franchise, LLC, an Oregon corporation ("**Franchisor**"), has developed a comprehensive system of establishing, operating and promoting specialized indoor cycling exercise services, which: (i) are provided out of a physical studio locations ("**StarCycle Studio**") under the brand name "**StarCycle**" using the "**StarCycle System**" (defined below) and in association with the trademark "**StarCycle**" and such other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, trade dress, insignia, commercial symbols and other indicia now or hereafter used or intended to be used or hereafter used in connection with the StarCycle System, which may be designated by Franchisor and/or by its affiliate and licensed to Franchisor, or otherwise licensed to Franchisor, as Franchisor may designate to be used in connection with the StarCycle Studios (collectively, the "**Marks**") and (ii) consist of indoor cycling exercise classes utilizing music and choreography, as well as the retail sale of exercise merchandise, equipment and assorted other exercise related services and products specified by Franchisor. Franchisor is licensed by an affiliate to use and grant licenses to use the Marks and other intellectual property associated with the StarCycle System and to operate and license others to operate StarCycle Studios pursuant to a system containing valuable know- how, information, trade secrets, methods, operations manuals, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development (the "**StarCycle System**").

B. The distinguishing characteristics of the StarCycle System include the trademark "**StarCycle**" and other trademarks and trade names, trade dress, confidential operating procedures, confidential operations manual, standards and specifications for equipment, services and products, social networking methods, child care services, proprietary software, methods of service, management and marketing programs, sales techniques and strategies, commercial symbols and other methods used in connection with the StarCycle System, and any and all revisions, modifications and additions thereto, all as may be changed, improved, and further developed by Franchisor from time to time.

C. Franchisor continues to develop, use, and control the use of the Marks in order to identify for the public the source of services and products marketed under its franchise agreements and under the StarCycle System, and to represent the StarCycle System's high standards of quality, appearance, and service.

D. The StarCycle System is comprised of confidential information that has been developed by Franchisor and its affiliate by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its affiliate, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to StarCycle fitness and cycling programs, the Marks, the StarCycle System, the StarCycle operations manuals, the business operations of Franchisor and its affiliates, products and services, equipment, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of StarCycle Studios which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of Franchisee's StarCycle Studio under the terms of the Franchise Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in

oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, "**Confidential Information**"). Confidential Information also includes the manner in which any of the above-described items may be combined with other information or services or synthesized or used by Franchisee.

E. Franchisor has and continues to protect the confidentiality of the Confidential Information by, among other things, (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

F. Franchisor and Franchisee have entered into a Franchise Agreement ("**Franchise Agreement**") under which Franchisor has granted Franchisee the right to own and operate a StarCycle Studio ("**Franchisee's StarCycle Studio**") using the StarCycle fitness programs, the Marks and the StarCycle System in conformity with Franchisor's standards and specifications.

G. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from each of Franchisee's personnel who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement of each such person to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. **ACKNOWLEDGMENTS OF RECIPIENT**.

1.1 **No Prior Experience, Information or Knowledge**. Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about operating a StarCycle Studio, StarCycle fitness Programs, other Confidential Information, or the StarCycle System. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Confidential Information**. The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, any other information or material considered proprietary by Franchisor, whether or not designated as Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above-described items may be combined with other information or products or synthesized or used by Franchisor, Franchisee or Recipient. Confidential Information does not include any information which: (a) was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisor; (b) is or becomes generally available to the public by acts other than those of Recipient after receiving it; (c) has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor or Franchisee; or (d) is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value**. The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee, (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee, and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.4 **Valuable and Proprietary.** The Confidential Information has been developed by Franchisor, its founders and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates.

2. **COVENANTS OF RECIPIENT**.

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 **Maintain Confidentiality.** Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or another person employed or engaged by Franchisee while an employee of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as an employee of Franchisee.

2.2 **No Reproduction or Use**. Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as an employee of Franchisee.

2.3 **Restrictions**. Recipient acknowledges and agrees that due to the valuable specialized training and access to the Confidential Information that Recipient will enjoy while employed or engaged by Franchisee:

2.3.1 Recipient will not, while employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective StarCycle Studio customer 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; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to a StarCycle Studio or that offers fitness programs similar to the StarCycle System.

2.3.2 Recipient will not, for a two (2)-year period *[in Washington, for an 18-month period]* following the date that Recipient is no longer employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective StarCycle Studio customer 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 Marks and the StarCycle System; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to a StarCycle Studio or that offers fitness programs similar to the StarCycle System.

2.4 **Third Party Beneficiary**. Franchisor is, and shall be and remain, a third-party beneficiary of this Agreement and shall have the independent right to enforce the terms of this Agreement.

3. **GENERAL TERMS**.

3.1 **Injunction**. Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the StarCycle System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement. Notwithstanding any other provision of this Agreement, pursuant to the Defense Secrets Act of 2016 an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (1) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

3.2 **Heirs and Successors; Entire Agreement**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding

the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.3 **No Right to Use Proprietary Marks or System**. This Agreement is not a license of any sort and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity.** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender.** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

_____

_____

_____

Email: _____

With a copy to:

StarCycle Franchise, LLC
Attn: Dionne Del Carlo
375 Second Street
Lake Oswego, Oregon 97034

Any notice or demand to Recipient shall be given to:

_____

_____

_____

Email: _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.9 **Governing Law and Venue**. This Agreement takes effect upon its acceptance and execution by Franchisee and shall be interpreted and construed under the laws of Oregon. In the event of any conflict of law, the law of Oregon shall prevail, without regard to the application of Oregon conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of Oregon, and if the Franchisee's StarCycle Studio is located outside of Oregon and such provision would be enforceable under the laws of the state in which Franchisee's StarCycle Studio is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 3.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within Clackamas County, Oregon. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.10 **Counterparts and Electronic Copies**. 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 be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures**.** Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

3.11 **Employees, Contractors and Others**. In this Agreement, all references to "employees" include contractors and other non-employee personnel of the Franchisee.

[SIGNATURES ON NEXT PAGE.]

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

FRANCHISEE:

[SAMPLE FORM]

_____
_____, an individual

_____
_____, an individual

Name of Entity: _____

By: _____

Print Name: _____

Title: _____

RECIPIENT:

[SAMPLE FORM]

By: _____

Print Name: _____

Title: _____

ATTACHMENT I

ADDENDUM TO
FRANCHISE AGREEMENT
(ONLY FOR FRANCHISEES WHO OBTAIN SBA FINANCING)

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between StarCycle Franchise, LLC, an Oregon limited liability company ("Franchisor"), located at 375 Second Street, Lake Oswego, Oregon 97034, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C.§§ 3729-3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

EXHIBIT B

TO DISCLOSURE DOCUMENT

FRANCHISE CONFIDENTIALITY AGREEMENT

STARCYCLE FRANCHISE, LLC

FRANCHISE CONFIDENTIALITY AGREEMENT

THIS FRANCHISE CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made and entered into as of _____20___(the "**Effective Date**"), by and between **STARCYCLE FRANCHISE, LLC**, an Oregon limited liability company ("**Franchisor**"), on the one hand, and _____, ("**Candidate**"), on the other hand, withreference to the following facts:

A. StarCycle Franchise, LLC, an Oregon limited liability company ("**StarCycle**"), as the result of the expenditure of time, skill, effort and money, has developed unique workout classes, featuring indoor cycling exercise classes utilizing music and choreography, as well as the retail sale of exercise merchandise, equipment and assorted other exercise related services and products known as the "**StarCycle Studios**".

B. The StarCycle Studios are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the marks "**StarCycle"**, "**TURN I WISH INTO I WILL**" and such other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing (collectively the "**StarCycle Marks**") for use in connection with the operation of StarCycle Studios.

C. The distinguishing characteristics of the "**StarCycle System"** includes, without limitation, individualized and group instruction routines (collectively, the "**StarCycle Proprietary Programs**") which incorporate trade secrets, confidential and proprietary information, instruction routines, methods, techniques, manuals (the "**StarCycle Proprietary Manuals**"), curriculums, lesson plans, materials and related written content created, owned, and copyrighted or copyrightable by StarCycle, distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings for the StarCycle Studios; service standards; uniform standards, pricing, specifications and procedures for operations; procedures for management control; training and assistance; pricing; and marketing and promotional programs (collectively the "**StarCycle System**"), all of which may be changed, improved and further developed by Franchisor from time to time.

D. Franchisor may provide Candidate with confidential and proprietary information regarding the StarCycle Marks and the StarCycle System prior to granting or declining to grant Candidate a franchise. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement and Candidate agrees to do so on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**.

The recitals set forth in Paragraph A through Paragraph D above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY**.

Candidate acknowledges and agrees:

2.1. **The StarCycle Confidential Information**. Candidate's knowledge of the elements of the StarCycle Marks and the StarCycle System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of Franchisor and any and all confidential and/or proprietary knowledge, data or information which Candidate has obtained or obtains from Franchisor and which Franchisor treats as proprietary or designates (whether or not in writing or electronic form) is "**the StarCycle Confidential Information,**" whether or not Franchisor correctly or incorrectly designates the same as the StarCycle Confidential Information. Candidate shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of, anyone else, any StarCycle Confidential Information, knowledge or know-how concerning the methods of operation of the Studio which may be communicated to Candidate, or of which Candidate may be apprised, Candidate may only divulge the StarCycle Confidential Information to Candidate's employees who must have access to it in order to perform their employment responsibilities. By way of illustration, but not limitation, the StarCycle Confidential Information includes tangible and intangible information (whether or not in electronic form) relating to the StarCycle Proprietary Programs, the StarCycle Marks, the StarCycle System, the StarCycle Proprietary Manuals and the business operations of Franchisor and its Affiliates, products and services, equipment, sources of materials and equipment, information management, computer hardware and software, data, other content, formulations, patterns, compilations, programs, devices and processes, know-how, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements

or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators and customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationship between Franchisor and other companies, persons or entities and any other information or material considered proprietary by Franchisor, whether or not correctly or incorrectly designated as the StarCycle Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. The StarCycle Confidential Information also includes the manner in which any of the above-described items may be combined with other information or services or synthesized or used by Candidate. The StarCycle Confidential Information does not include any information which: (i) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; (ii) is or becomes generally available to the public by acts other than those of Candidate after receiving it; (iii) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor; or (iv) is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value**. That the StarCycle Confidential Information has been developed by Franchisor, and its affiliates, by the investment of time, skill, effort and money and is widely recognized by the public and are of substantial value.

2.3. **Proprietary**. That the StarCycle Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor, and its affiliates.

2.4. **Maintain Confidentiality.** That Candidate will fully and strictly maintain the confidentiality of the StarCycle Confidential Information, will exercise the highest degree of diligence in safeguarding the StarCycle Confidential Information and will not disclose or reveal the StarCycle Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney- client privilege. Notwithstanding any other provision of this Agreement, pursuant to the Defense Secrets Act of 2016 an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (1) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

2.5. **Reproduction and Use**. That Candidate will not directly or indirectly reproduce or copy any StarCycle Confidential Information or any part thereof and will make no use of any StarCycle Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value and secondary meaning attached to the StarCycle Confidential Information and the elements of the StarCycle Proprietary Programs, the StarCycle Marks and the StarCycle System and agrees that any non-compliance with the terms of this Agreement or any unauthorized or improper use of the StarCycle Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the StarCycle Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Heirs and Successors**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. **Entire Agreement**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the franchised business, that Candidate has been informed by Franchisor that there can be no guaranty of success in the franchised business and that Candidate's business ability and aptitude is primary in

determining his success.

3.5. **No Right to Use StarCycle Marks and StarCycle System**. This Agreement is not a Franchise Agreement or a license of any sort and does not grant Candidate any right to use or to franchise or license the use of, the StarCycle Marks and the StarCycle System, which right is expressly reserved by Franchisor.

3.6. **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity**. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **Headings and Gender**. The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. **Attorneys' Fees**. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.10. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11. **Notices**. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail, by private overnight delivery or by electronic transmission (fax). Service shall be deemed conclusively made: (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (iii) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (iv) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (v) one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail.

Notices to Franchisor:
Star Cycle Franchise, LLC 375 Second Street
Lake Oswego, Oregon 97034
Attention _____: President
Fax:

Notices to Candidate:

_____
_____
_____
Attention:_____
Fax: _____

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12. **Choice of Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in Oregon and shall be interpreted and construed under the laws of Oregon. In the event of any conflict of law, the laws of Oregon shall prevail, without regard to the application of Oregon conflict of law rules. Nothing in this Section 3.12 is intended by the parties to subject this Agreement to any franchise or similar law, rules or regulation of the State of Oregon to which it would not otherwise be subject.

3.13 **Venue**. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of Oregon in the county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.14. **Counterparts and Electronic Copies**. 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 be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above.

STAR CYCLE FRANCHISE, LLC,
An Oregon limited liability company

By: _____

Name: _____

Title: _____

CANDIDATE:

By:
[ ] an individual;
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;

Name: _____

Title: _____

EXHIBIT C
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- **Confidentiality**
- **Modifications to Manual**

Section 2 – Welcome to StarCycle (pages - 2)
- **StarCycle Founders**
- **The StarCycle Mission & Purpose**
- **What is StarCycle?**
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Section 3 – Communication (pages - 2)
- **Communication with the StarCycle Corporate Team**
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Section 4 – Site Selection, Buildout & Design (pages - 4)
- **Site Selection**
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Annual Owner Summit

Section 14 – Retail (pages - 4)

- **Buying**
- **Inventory**
- **Merchandising**
- **Selling**
- **Markdowns**
- **Discounts**

Section 15 – Receipt Page (pages - 1)

Form of Agreement for Receipt of Operations Manual

Receipt for Operations Manual

Issued to:	No.	Manual No.

Address:

Telephone	Fax	Pager	Cell	Other

I acknowledge and understand that this Operations Manual I am receiving, which is part of the manual referred to in the Franchise Agreement as the "Operations Manual", is to be used only for the operation of a STARCYCLE franchise and is not to be removed from the premises. I also acknowledge and understand that STARCYCLE FRANCHISE, LLC (the "Franchisor") reserves the right to make changes, additions, or deletions to the Operations Manual, which, in its judgment, will add to the quality of the services being provided.

I acknowledge and understand that the contents of the Operations Manual are confidential and proprietary, and that any disclosure, publication, or unauthorized use shall constitute a breach of the Franchise Agreement and could result in termination of my franchise license. Further, the Operations Manual contains mandatory operating procedures and other system requirements that I acknowledge I must observe as a condition of the Franchise Agreement.

I agree to be responsible for this Operations Manual; and I acknowledge and understand the conditions in the Franchise Agreement by which I must abide, including, but not limited to, the fact that these manuals are loaned to me for the duration of my franchise and that I will return them upon termination of my franchise.

Understood and agreed to this_____day of_____, 20___.

Franchisee:

_____
Signature

_____
Print name and title

_____
Signature

_____
Print name and title

Franchisor: STARCYCLE FRANCHISE, LLC.

_____
Signature

_____
Print name and title

EXHIBIT D

TO DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

(See Attached)

STARCYCLE FRANCHISE, LLC

FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(WITH INDEPENDENT AUDITOR'S REPORT)

GeffenMesher

STARCYCLE FRANCHISE, LLC
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INDEPENDENT AUDITOR'S REPORT

Members
StarCycle Franchise, LLC
Lake Oswego, Oregon

Opinion
We have audited the financial statements of StarCycle Franchise, LLC (the "Company"), which comprise the balance sheets as of September 30, 2022 and 2021, the related statements of operations and changes in members' deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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.

Emphasis of a Matter
As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a members' deficit. Management's evaluation of the events and conditions and management's plans to mitigate these matters are described in Note 1. Our opinion is not modified with respect to this matter.

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.

Members
StarCycle Franchise, LLC

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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits, significant audit findings and certain internal control–related matters that we identified during the audits.

Greffen Mesher and Company P.C.

Portland, Oregon
January 19, 2023

STARCYCLE FRANCHISE, LLC
BALANCE SHEETS

ASSETS

September 30,	2022	2021
Current assets		
Cash	$ 8,162	$ 14,273
Royalties receivable	41,119	28,601
Other	1,638	774
Total current assets	50,919	43,648
Property and equipment, net	343	560
Intangible assets, net	97,568	102,745
	$ 148,830	$ 146,953
LIABILITIES AND MEMBERS' DEFICIT		
Current liabilities		
Line of credit, related party	$ 1,375,000	$ 1,305,000
Accrued interest, related party	229,919	163,443
Accounts payable and accrued liabilities	44,776	43,026
Deferred revenue, franchise fees, current portion	31,700	31,700
Due to affiliate	187,224	177,839
Total current liabilities	1,868,619	1,721,008
Deferred revenue, franchise fees, less current portion	275,743	228,443
Commitments		
Members' deficit	(1,995,532)	(1,802,498)
Total liabilities and members' deficit	$ 148,830	$ 146,953

STARCYCLE FRANCHISE, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT

Years Ended September 30,	2022	2021
Revenue		
Franchise fees	$ 32,700	$ 32,500
Royalty revenue	142,414	140,945
Advertising and other revenue	97,509	34,218
Product sales	148,936	51,471
	421,559	259,134
Cost of goods sold - product sales	136,776	47,518
Gross profit	284,783	211,616
Operating expenses		
Advertising and promotion	181,431	98,401
Amortization and depreciation	5,395	9,266
Computer, telephone and internet	11,309	4,766
Legal and professional	51,846	57,299
Management fees, related party	139,174	205,819
Travel	6,622	4,267
Other	15,564	8,873
	411,341	388,691
Loss from operations	(126,558)	(177,075)
Interest expense	66,476	61,899
Net loss	(193,034)	(238,974)
Members' deficit, beginning of year	(1,802,498)	(1,307,681)
Impact from adoption of ASC 606		(255,843)
Members' deficit, end of year	($ 1,995,532)	($ 1,802,498)

STARCYCLE FRANCHISE, LLC
STATEMENTS OF CASH FLOWS

Years Ended September 30,	2022	2021
Cash flows from operating activities		
Net loss	($ 193,034)	($ 238,974)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization and depreciation	5,394	9,266
Change in operating assets and liabilities		
Royalties receivable	(12,518)	(6,363)
Prepaid expenses and other assets	(864)	(774)
Accrued interest, related party	66,476	61,680
Accounts payable and accrued liabilities	1,750	(5,799)
Deferred revenue, franchise fees	47,300	(31,700)
Due to affiliate	9,385	45,288
Net cash used in operating activities	(76,111)	(167,376)
Cash flows used in investing activities for purchase of assets		(7,700)
Cash flows provided by financing activities from borrowings on line of credit, related party	70,000	175,000
Net change in cash	(6,111)	(76)
Cash, beginning of year	14,273	14,349
Cash, end of year	$ 8,162	$ 14,273
Supplemental disclosure of cash flow information		
Cumulative adjustment for adoption of ASC 606		$ 255,843

1. Line of business and summary of significant accounting policies

Line of business

StarCycle Franchise, LLC (the "Company"), was formed on November 12, 2013, in the state of Oregon. The Company operates as a franchisor for indoor cycling studio franchises sold to independent franchisees throughout the United States. As a franchisor, the Company has agreed to provide its franchisees with name recognition, studio design specifications, training and a franchise operations manual. The Company also provides franchisees with a protected operating territory.

Going concern

The Company experienced operating losses during the years ended September 30, 2022 and 2021 and has a members' deficit. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to generate increased revenue through opening new studios, maintaining and expanding its brand, minimizing operating costs and/or obtaining additional capital or financing. In addition, the majority member has indicated the ability and intent to loan or invest additional funds as necessary to finance the Company's operations. The Company has taken steps to increase revenue, invest in training, operations and marketing and reduce or defer certain expenditures. Management believes that the cash flows of the Company and additional support from the majority owner will be adequate to fund its operations in the future. In the event the Company does not generate adequate cash flows from operations, there may be insufficient funds to fully meet the obligations of the Company as they become due. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the current coronavirus ("COVID-19") outbreak to be a global pandemic. The related COVID-19 control responses have severely impacted global and national economies. This has impacted the Company in areas including, but not limited to, disruption to the Company's labor workforce and volatility in supply chains and, at times, customer demand. In response to these disruptions, management developed policies and protocols at all of its studios and administrative offices to comply with Center for Disease Control and Prevention guidelines and state and local governmental regulations and invested in supplies and other assets to help prevent the spread of COVID-19 among its workforce so the Company could continue to operate.

Significant uncertainty remains regarding the ongoing impact of COVID-19 upon the Company's financial condition and future results of operations, as well as upon the significant estimates and assumptions utilized in reporting certain assets and liabilities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates based on assumptions about current, and sometimes future, economic and market conditions, which may affect reported amounts and related disclosures in the Company's financial statements. Although the Company's current estimates contemplate current conditions and how management expects those conditions to change in the future, as appropriate, it is reasonably possible that future actual conditions could be different than anticipated in those estimates.

1. Line of business and summary of significant accounting policies (continued)

Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (ASC 606)*" which has since been amended by multiple subsequent ASUs. The updated guidance requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration, to which the entity expects to be entitled, in exchange for those goods or services. In addition, this ASU (as amended) requires that reporting entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this standard utilizing the modified retrospective approach, which requires the cumulative effect of adoption to be recognized in the beginning balance of retained earnings and no change to prior year financial statements. The adoption of ASC 606 resulted in an adjustment to retained earnings as of October 1, 2020. As part of the adoption of the ASU, the Company elected the transition practical expedient to apply the standard only to franchise agreements at adoption.

The following table summarizes the effect of adopting Topic 606 on the Company's financial statements:

	As adjusted	Adjustment	Unadjusted
Deferred revenue, franchise fees	$ 260,143	$ 224,143	$ 36,000
Members' deficit	$ 1,802,498	$ 255,843	$ 1,546,655
Franchise fees - revenue	$ 32,500	$ 31,700	$ 800

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of receivables. The Company extends credit based on the evaluation of each franchisee's financial condition and does not generally require collateral.

Substantially all of the Company's revenues is derived from royalty payments from the franchisees and franchise fees for the start-up of new studios. For the years ended September 30, 2022 and 2021, three and four of the Company's franchisees accounted for approximately 40% and 66% of revenue.

Royalties receivable

Royalties receivable are non-interest bearing and may consist of royalty fees, franchise fees and other amounts due from franchisees. An allowance for doubtful accounts is estimated by management based on the aging of the Company's receivables, historical experience, current and expected future short-term business conditions and judgment. The Company will write off receivables against the allowance when management determines that a balance is uncollectible and no longer actively pursues collection of the receivable. No allowance for doubtful accounts was considered necessary as of September 30, 2022 and 2021.

Advertising expense

The Company expenses advertising costs as they are incurred. Advertising expenses were approximately $181,000 and $98,000 for the years ended September 30, 2022 and 2021.

{WS050200v3 }

1. Line of business and summary of significant accounting policies (continued)

Intangible assets
Intangible assets with finite useful lives are amortized on a straight-line basis over the periods of the related economic benefit (see Note 4).

Property and equipment
Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful live of the assets of three years.

Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Additions and betterments are capitalized. At the time of retirement or other disposal of property and equipment, the cost and related accumulated depreciation and amortization are removed from their respective accounts and the resulting gain or loss, if any, is included in operating expenses.

Long-lived assets
The Company accounts for long-lived assets, including intangibles, at amortized cost. Management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

Franchising and revenue recognition
The franchise and certain license agreements may require the franchisee to pay an initial, non-refundable fee up to $40,000 and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise and license agreements will be charged to operating expenses as incurred.

When an individual franchise is granted, the Company grants the franchisee a license to own and operate a franchised location. As part of this license, the Company agrees to provide certain services and products to the franchisee. Generally, these services include approval of franchisee's site selection, providing training, studio design specifications and an operations manual to assist the franchisee with implementing systems and quality control programs.

The Company determined that the performance obligation of initial franchise fees is the use and benefit of the franchise license, which occurs over the period the franchised studio is in operation, not when the studio opens. The Company may provide pre-opening services to franchisees; however, the Company has determined these services do not contain separate and distinct performance obligations from the franchise right; thus, a portion of the franchise fee has not been allocated to these pre-opening services.

The Company has determined the revenue recognition period for initial franchise fees begins when the studio commences operation. As a result, the Company defers initial franchise fees until the studio commences operation, and then recognizes the initial franchise fee evenly over the expected term of the franchisee agreement, which the Company evaluates annually.

{WS050200v3 }

1. Line of business and summary of significant accounting policies (continued)

Franchising and revenue recognition (continued)
The Company receives royalty fees, ranging up to 5.0% of franchisees' sales. Since ongoing franchise royalty fees are based on actual franchise sales, the fees will fluctuate and are considered variable consideration. These fees are recognized as revenue when sales are generated by the franchisees.

Contract balances were as follows at September 30:

	2022	2021	2020
Royalties receivable	$ 41,119	$ 28,601	$ 22,238
Deferred revenue	$ 307,443	$ 260,143	$ 36,000

As of September 30, 2022 and 2021, there were nine and ten franchise studio locations in operation. As of September 30, 2022 and 2021, there were three and two nonfranchise studio locations in operation owned by members of the Company. During the year ended September 30, 2022, one franchise was terminated, one was opened and one franchise studio was converted to a nonfranchise studio and is now operated by members of the Company. During the year ended September 30, 2021, no franchises were terminated or opened.

Income taxes
The Company is a limited liability company, whereby the members are taxed on their share of taxable income, whether or not it is distributed, and may be entitled to deduct on their income tax return their share of net losses, subject to certain limitations. Therefore, no provision for income taxes has been included in the accompanying financial statements, since such taxes are the responsibility of the members.

Subsequent events
The Company has evaluated subsequent events through January 19, 2023, which is the date these financial statements were available to be issued. Events, if any, are disclosed within the notes to these financial statements.

2. Related party transactions

The members of the Company are also the members of Down Girls Up, LLC ("DGU"), a related entity under common ownership and control, which operates two StarCycle indoor cycling studios.

As of September 30, 2022 and 2021, the Company owed DGU approximately $187,000 and $178,000, which is reflected as amounts due to affiliate on the accompanying balance sheets. These amounts are unsecured non-interest bearing and have no stated repayment terms. Included within royalties receivable on the accompanying balance sheets is approximately $20,000 and $7,000 due from DGU as of September 30, 2022 and 2021.

The Company has an agreement with DGU to provide management services to the Company. The Company incurred approximately $139,000 and $206,000 to DGU for management fees for the years ended September 30, 2022 and 2021.

{WS050200v3 }

3. Line of credit, related party

The Company maintains a line of credit provided by the majority member, with available advances not to exceed $175,000 per quarter, and which has a balance of $1,375,000 and accrued interest of $229,919 as of September 30, 2022. The line of credit bears interest at 5.0% per annum and all principal and interest and matured on May 31, 2022. The line of credit is secured by substantially all assets of the Company. The Company is in the process of negotiating an extension on the due date of the line of credit through at least January 2024.

4. Intangible assets

Intangible assets consist of indefinite lived assets including trademarks of approximately $93,000 as of September 30, 2022 and 2021, and a finite-lived asset of web development costs of approximately $26,000 as of September 30, 2022 and 2021. Web development assets generally have a three-year life. The Company actively defends and protects the trademark names. Management has reviewed its intangible assets for potential impairment as of September 30, 2022 and 2021 and determined that the fair value exceeded the carrying value. Thus, no impairment has been recognized. Amortization expense for the years ended September 30, 2022 and 2021 was approximately $5,200 and $8,000. Accumulated amortization was approximately $21,000 and $16,000 as of September 30, 2022 and 2021. Estimated future amortization expense is approximately $4,400 in 2023 and $300 in 2024.

5. Commitments

During the year ended September 30, 2020, the Company entered into a settlement agreement with a former member whereby the former member's interest in the Company was transferred to another member for $240,000 to be paid out over a five-year period. This amount represents the former member's equity interest and certain other outstanding amounts due to the former member. The Company is jointly and severely liable for the settlement amount; however, DGU is currently paying the amount over the five-year period, and the Company does not expect to be required to reimburse DGU for amounts paid for the settlement.

6. Subsequent events

Subsequent to September 30, 2022, one new franchise studio location was opened in November 2022. The Company has two other signed franchise agreements for additional franchise studio locations that are expected to open in 2023.

{WS050200v3 }

StarCycle Franchise, LLC

Financial Statements
Years Ended September 30, 2021 and 2020
(With Independent Auditors' Report)

STARCYCLE FRANCHISE, LLC
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PORTLAND, OREGON | GMCO.com

INDEPENDENT AUDITORS' REPORT

Members
StarCycle Franchise, LLC
Lake Oswego, Oregon

Report on the Financial Statements
We have audited the accompanying financial statements of StarCycle Franchise, LLC, which comprise the balance sheets as of September 30, 2021 and 2020, the related statements of operations and changes in members' deficit and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Members
StarCycle Franchise, LLC

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of StarCycle Franchise, LLC as of September 30, 2021 and 2020, and the results of its operations and changes in members' deficit and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Greffen Mesher and Company P. C.

January 19, 2022

STARCYCLE FRANCHISE, LLC
BALANCE SHEETS

ASSETS

September 30,	**2021**	**2020**
Current assets		
Cash	$ 14,273	$ 14,349
Royalties receivable	28,601	22,238
Other	774	
Total current assets	43,648	36,587
Property and equipment, net	560	1,436
Intangible assets, net	102,745	103,435
	$ 146,953	$ 141,458

LIABILITIES AND MEMBERS' DEFICIT

Current liabilities		
Line of credit	$ 1,305,000	$ 1,130,000
Accrued interest	163,443	101,763
Accounts payable and accrued liabilities	43,026	48,825
Deferred revenue, franchise fees, current portion	31,700	36,000
Due to affiliate	177,839	132,551
Total current liabilities	1,721,008	1,449,139
Deferred revenue, franchise fees, less current portion	228,443	
Commitments		
Members' deficit	(1,802,498)	(1,307,681)
Total liabilities and members' deficit	$ 146,953	$ 141,458

STARCYCLE FRANCHISE, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT

Years Ended September 30,	2021	2020
Revenue		
Franchise fees	$ 32,500	$ 43,650
Royalty revenue	140,945	140,833
Advertising and other revenue	34,218	59,398
Product sales	51,471	124,729
	259,134	368,610
Cost of goods sold - product sales	47,518	110,935
Gross profit	211,616	257,675
Operating expenses		
Advertising and promotion	98,401	83,122
Amortization and depreciation	9,266	25,965
Computer, telephone and internet	4,766	3,277
Legal and professional	57,299	121,881
Management fee	205,819	330,691
Travel	4,267	7,350
Loss on impairment of goodwill		132,500
Other	8,873	9,258
	388,691	714,044
Loss from operations	(177,075)	(456,369)
Interest expense	61,899	55,627
Net loss	(238,974)	(511,996)
Members' deficit, beginning of year	(1,307,681)	(795,685)
Impact from adoption of ASC 606	(255,843)	
Members' deficit, end of year	($ 1,802,498)	($ 1,307,681)

STARCYCLE FRANCHISE, LLC
STATEMENTS OF CASH FLOWS

Years Ended September 30,	2021	2020
Cash flows from operating activities		
Net loss	($ 238,974)	($ 511,996)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization and depreciation	9,266	25,964
Goodwill impairment		132,500
Change in operating assets and liabilities		
Franchise fees receivable		36,000
Royalties receivable	(6,363)	(254)
Prepaid expenses and other assets	(774)	14,256
Accrued interest	61,680	55,628
Accounts payable and accrued liabilities	(5,799)	39,948
Deferred revenue, franchise fees	(31,700)	
Due to affiliate	45,288	103,760
Net cash used in operating activities	(167,376)	(104,194)
Cash flows used in investing activities for purchase of assets	(7,700)	(11,175)
Cash flows provided by financing activities for borrowings on line of credit	175,000	75,000
Net change in cash	(76)	(40,369)
Cash, beginning of year	14,349	54,718
Cash, end of year	$ 14,273	$ 14,349
Supplemental disclosure of cash flow information		
Cumulative adjustment for adoption of ASC 606	$ 255,843	

1. Line of business and summary of significant accounting policies

Line of business

StarCycle Franchise, LLC (the "Company"), was formed on November 12, 2013, in the state of Oregon. The Company is a limited liability company, which is a legal entity in which the members' liabilities are limited to their investment in the Company. The Company operates as a franchisor for indoor cycling studios sold to independent franchisees throughout the United States. As a franchisor, the Company has agreed to provide its franchisees with name recognition, studio design specifications, training, and a franchise operations manual. The Company also provides franchisees with a protected operating territory. The Company's revenues are derived primarily from royalty payments from the franchisees and franchise fees for the start-up of new studios.

Going concern

The Company experienced operating losses in the years ended September 30, 2021 and 2020 and has a net capital deficiency. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to generate increased revenue through opening new stores, maintaining and expanding its brand, minimizing operating costs and/or obtaining additional capital or financing. In addition, the majority owner has indicated the ability and intent to loan or invest additional funds as necessary to finance the Company's operations. The Company has taken steps to increase revenue, invested in training, operations and marketing and reduced or deferred certain expenditures. Management believes that the cash flows of the Company and additional support from the majority owner will be adequate to fund its operations in the future. In the event the Company does not generate adequate cash flows from operations, there may be insufficient funds to fully meet the obligations of the Company as they become due. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the current coronavirus ("COVID-19") outbreak to be a global pandemic. The related COVID-19 control responses have severely impacted global and national economies. This has impacted the Company in areas including, but not limited to, disruption to the Company's labor workforce and volatility in supply chains and, at times, customer demand. In response to these disruptions, management developed policies and protocols at all of its studios and administrative offices to comply with Center for Disease Control and Prevention guidelines and state and local governmental regulations and invested in supplies and other assets to help prevent the spread of COVID-19 among its workforce so the Company could continue to operate.

Significant uncertainty remains regarding the ongoing impact of COVID-19 upon the Company's financial condition and future results of operations, as well as upon the significant estimates and assumptions utilized in reporting certain assets and liabilities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates based on assumptions about current, and sometimes future, economic and market conditions, which may affect reported amounts and related disclosures in the Company's financial statements. Although the Company's current estimates contemplate current conditions and how management expects those conditions to change in the future, as appropriate, it is reasonably possible that future actual conditions could be different than anticipated in those estimates.

1. Line of business and summary of significant accounting policies (continued)

Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which has since been amended by multiple subsequent ASUs. The updated guidance requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration, to which the entity expects to be entitled, in exchange for those goods or services. In addition, this ASU (as amended) requires that reporting entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this standard utilizing the modified retrospective approach, which requires the cumulative effect of adoption to be recognized in the beginning balance of retained earnings and no change to prior year financial statements. The adoption of ASC 606 resulted in an adjustment to retained earnings as of October 1, 2020. As part of the adoption of the ASU, the Company elected the transition practical expedient to apply the standard only to franchise agreements at adoption.

The following table summarizes the effect of adopting Topic 606 on the Company's financial statements:

	As adjusted	Adjustment	Unadjusted
Deferred revenue, franchise fees	$ 260,143	$ 224,143	$ 36,000
Members' deficit	$ 1,802,498	$ 255,843	$ 1,546,655
Franchise revenue	$ 32,500	$ 31,700	$ 800

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of receivables. The Company extends credit based on the evaluation of each franchisee's financial condition and does not generally require collateral.

Substantially all of the Company's revenues is derived from royalty payments from the franchisees and franchise fees for the start-up of new studios. For the years ended September 30, 2021 and 2020, four and five of the Company's franchisees accounted for approximately 66% and 63% of revenue.

Royalties receivable

Royalties receivable are non-interest bearing and may consist of royalty fees, franchise fees and other amounts due from franchisees. An allowance for doubtful accounts is estimated by management based on the aging of the Company's receivables, historical experience, current and expected future short-term business conditions and judgment. The Company will write off receivables against the allowance when management determines that a balance is uncollectible and no longer actively pursues collection of the receivable. No allowance for doubtful accounts was considered necessary as of September 30, 2021 and 2020.

Advertising expense

The Company expenses advertising costs as they are incurred. Advertising expenses were approximately $98,000 and $83,000 for the years ended September 30, 2021 and 2020.

1. Line of business and summary of significant accounting policies (continued)

Intangible assets
Intangible assets with finite useful lives are amortized on a straight-line basis over the periods of the related economic benefit.

Property and equipment
Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful live of the assets of 3 years.

Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Additions and betterments are capitalized. At the time of retirement or other disposal of property and equipment, the cost and related accumulated depreciation and amortization are removed from their respective accounts and the resulting gain or loss, if any, is included in operating expenses.

Long-lived assets
The Company accounts for long-lived assets, including intangibles other than goodwill, at amortized cost. Management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

Franchising and revenue recognition
The franchise and certain license agreements may require the franchisee to pay an initial, non-refundable fee up to $36,000 and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise and license agreements will be charged to general and administrative expenses as incurred.

When an individual franchise is granted, the Company grants the franchisee a license to own and operate a franchised location. As part of this license, the Company agrees to provide certain services to the franchisee. Generally, these services include approval of franchisee's site selection, providing training, studio design specifications and an operations manual to assist the franchisee with implementing systems and quality control programs.

The Company determined that the performance obligation of initial franchise fees is the use and benefit of the franchise license, which occurs over the period the franchised studio is in operation, not when the studio opens. The Company may provide pre-opening services to franchisees; however, the Company has determined these services do not contain separate and distinct performance obligations from the franchise right; thus, a portion of the franchise fee has not been allocated to these pre-opening services.

The Company has determined the revenue recognition period for initial franchise fees begins when the studio commences operation. As a result, the Company defers initial franchise fees until the studio commences operation, and then recognizes the initial franchise fee evenly over the expected term of the franchisee

1. Line of business and summary of significant accounting policies (continued)

Franchising and revenue recognition (continued)
agreement, which the Company evaluates annually. There were no initial franchise fees included within franchising revenue in the accompanying financial statements for the year ended September 30, 2021. There was $36,000 of initial franchise fees included within franchising revenue in the accompanying financial statements for the year ended September 30, 2020.

The Company receives royalty fees, ranging up to 5.0% of franchisees' sales. Since ongoing franchise royalty fees are based on actual franchise sales, the fees will fluctuate and are considered variable consideration. ASC 606 requires variable consideration to be estimated. However, there is an exception to this requirement for sales-based royalties related to licenses of intellectual property. These fees are recognized as revenue when sales are generated by the franchisees.

Contract balances were as follows at September 30:

	2021	2020
Royalties receivable	$ 28,601	$ 22,238
Deferred revenue	$ 260,143	$ 36,000

As of September 30, 2021 and 2020, there were ten franchise locations in operation. As of September 30, 2021 and 2020, there were two nonfranchise studios in operation owned by members of the Company. During the years ended September 30, 2021 and 2020, no franchises were terminated.

Income taxes
The Company is a limited liability company, whereby the members are taxed on their share of taxable income, whether or not it is distributed, and may be entitled to deduct on their income tax return their share of net losses, subject to certain limitations. Therefore, no provision for income taxes has been included in the accompanying financial statements, since such taxes are the responsibility of the members.

Subsequent events
The Company has evaluated subsequent events through January 19, 2022, which is the date these financial statements were available to be issued. Events, if any, are disclosed within the notes to these financial statements.

2. Related party transactions

The members of the Company are also the members of Down Girls Up, LLC ("DGU"), a related entity under common ownership and control, which operates two StarCycle indoor cycling studios.

As of September 30, 2021 and 2020, the Company owed DGU approximately $178,000 and $133,000, which is reflected as amounts due to affiliate on the accompanying balance sheets. These amounts are unsecured non-interest bearing and have no stated repayment terms. Included within royalties receivable on the accompanying balance sheets is approximately $7,000 due from DGU as of September 30, 2021. There were no amounts due from DGU as of September 30, 2020.

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2. Related party transactions (continued)

The Company has an agreement with DGU to provide management services to the Company. The Company paid approximately $194,000 and $331,000 to DGU for management fees for the years ended September 30, 2021 and 2020.

3. Line of credit

The Company maintains a line of credit provided by a member, with available advances not to exceed $175,000 per quarter, and which has a balance of $1,305,000 as of September 30, 2021. The line of credit bears interest at 5.0% per annum and all principal and interest is due on May 31, 2022. The line of credit is secured by substantially all assets of the Company. The Company is in the process of negotiating an extension on the due date of the line of credit through at least January 2023.

4. Intangible assets

Intangible assets consist of indefinite lived assets including trademarks of approximately $93,000 and $92,000 as of September 30, 2021 and 2020, and a finite-lived asset of web development costs of approximately $26,000 and $20,000 as of September 30, 2021 and 2020. The Company actively defends and protects the trademark names. Management has reviewed its intangible assets for potential impairment as of September 30, 2021 and 2020 and determined that the fair value exceeded the carrying value. Thus, no impairment has been recognized. Amortization expense for the years ended September 30, 2021 and 2020 was approximately $8,000 and $4,000. Estimated future amortization expense is approximately $6,000 in 2022, $5,000 in 2023, and $500 in 2024.

5. Commitments

During the year ended September 30, 2021, the Company entered into a settlement agreement with a former member whereby the former member's interest in the Company was transferred to another member for $240,000 to be paid out over a five-year period. This amount represents the former member's equity interest and certain other outstanding amounts due to the former member. The Company is jointly and severely liable for the settlement amount; however, DGU is currently paying the amount over the five-year period.

6. Goodwill

During the year ended September 30, 2020, management determined that triggering events occurred due to continued losses experienced during the coronavirus pandemic declared by the World Health Organization in early 2020. As such, the Company completed an assessment of goodwill, determined that it was more likely than not that the carrying value of goodwill exceeded the fair value using a market approach, and, therefore, an impairment loss was recorded to reduce the value to zero.

7. Subsequent events

Subsequent to September 30, 2021, three new franchise agreements were signed and the respective studios are expected to open in 2022. In addition, one franchise studio was converted to a nonfranchise studio and is now operated by members of the Company.

EXHIBIT E

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Commissioner of Financial Protection and Innovation: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 Sacramento: 2101 Arena Boulevard Sacramento, California 95834-2036 1515 K Street, Suite 200 Sacramento, CA 95814-4052 San Diego: 1350 Front Street San Diego, CA 92101-3697 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94105-2980 Toll-Free Number: 1-866-275-2677	Commissioner of the Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013 Toll-Free Number: 1-866-275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Office of the Attorney General Franchise Bureau 500 South, Second Street Springfield, Illinois 62706 (217) 782-4465	Office of the Attorney General Franchise Bureau 500 South, Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202- 2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General 200 St. Paul Place Baltimore, Maryland 21202- 2021 (410) 576-6360
MICHIGAN	Department of the Attorney General Consumer Protection Division, Antitrust and Franchise Unit 525 West Ottawa Street G. Williams Building Lansing, Michigan 48933-1067 (517) 373-7117	Michigan Department of Consumer and Industry Services Corporations and Securities Bureau 6546 Mercantile Way P.O. Box 30054 Lansing, Michigan 48909
MINNESOTA	Department of Commerce 85 Seventh Place East, Fifth Floor Saint Paul, Minnesota 55101-2198 (651) 296-4026	Department of Commerce 85 Seventh Place East, Fifth Floor Saint Paul, Minnesota 55101-2198 (651) 296-4026

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	New York State Department of Law Bureau of Investor Protection and Securities 28 Liberty Street New York, New York 10005 (212) 416-8222	New York Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	Office of the Securities Commissioner 600 East Boulevard Avenue State Capitol Building Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	Securities Commissioner Office of the Securities Commissioner 600 East Boulevard Avenue State Capitol Building, Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division Department of Business Regulation in the Service of Process, Disclosure Document, and State Administrators Sections 1511 Pontiac Avenue John O. Pastore Center Building 69, First Floor Cranston, Rhode Island 02920 (401) 462-9582	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center Building 69, First Floor Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Securities Division 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4013	Department of Labor and Regulation Securities Division 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4013
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Ninth Floor Richmond, Virginia 23219 (804) 371-9672	Clerk, State Corporation Commission 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-9672
WASHINGTON	Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98501 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Securities and Franchise Registration Securities Commission 201 West Washington Street, Suite 300 Madison, Wisconsin 53703 (608) 266-3431	Securities and Franchise Registration Securities Commission 201 West Washington Street Suite 300 Madison, Wisconsin 53703 (608) 266-3431

EXHIBIT F

TO DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT STATE SPECIFIC ADDENDA

CALIFORNIA

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

Our website address is www.StarCycleRide.com. **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.**

FDD Item 17, FA Sections 2, 14, 15, and 17

(1) California Business and Professions Code Sections 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.

(2) 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.).

(3) 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.

(4) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Clackamas County, Oregon with the costs being borne by the non-prevailing party. 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.

(6) The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(7) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Response to California 10 CCR Section 310.114.1(c)(3): Neither the franchisor nor 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 that association or exchange.

FDD Item 17.r; FA Section 14; FA Attachment C (Nondisclosure and Noncompetition Agreement)

Under Business and Professions Code Section 16600, covenants not to compete that extend beyond the termination of the franchise are not enforceable under California law.

FDD Item 5; Franchise Agreement Section 8:

All initial franchise fees will be due and payable only after the franchisor has fulfilled all initial obligations owed to the franchisee under the franchise agreement or other documents and the franchisee has commenced doing business.

FDD Item 6; Franchise Agreement Section 8.4:

Despite any provision to the contrary, interest will not exceed the highest rates permitted by California law. As of the issuance date of this disclosure document, the highest interest rate allowed in California is 10% annually.

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

FDD Items 5 and 6 and FA Section 8

The Illinois Franchise Disclosure Act prohibits discrimination among franchisees for payments made for Initial Franchise Fees, Royalty Fees, and the purchase of goods or services from the franchisor.

FDD Item 17 and FA Sections 2 (renewal); 17 (default and termination); 15 (assignment); and 19 (dispute resolution)

A franchisee's rights upon termination and non-renewal may be affected by Illinois law. (See Sections 19 and 20 of the Illinois Franchise Disclosure Act).

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

The governing law and choice of law clauses contained in the Franchise Agreement are subject to Illinois law.

Any provision in the Franchise Agreement and any ancillary Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois. (See Section 4 of the Illinois Franchise Disclosure Act, and Rule 200.608 of the Rules and Regulations).

FDD Items 5 and 7 and FA Section 8

The Illinois Attorney General's Office has imposed the following deferral requirement because of the franchisor's financial condition. All initial franchise fees owed to the franchisor, or its affiliate, by the franchisee will be deferred until such time as: (a) all initial obligations owed to the franchisee under the franchise agreement or other agreements have been fulfilled by the franchisor and (b) the franchisee has commenced doing business pursuant to the franchise agreement.

(See the last page of this Exhibit for your signature.)

NEW YORK

The cover page of the Disclosure Document will be supplemented with the following, inserted at the bottom of the cover page:

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

Add to Item 3 of the Franchise Disclosure Document as follows:

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

B. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises

under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

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

Add the following language to Item 4 of the Franchise Disclosure Document:

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

Add at the end of the first paragraph of Item 5 of the Disclosure Document:

The purpose of the initial fee is to pay for the franchisor's training, sales, legal compliance, salary, and general administrative expenses, and profit.

The first paragraph of Item 17 of the Disclosure Document is modified to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Add in Item 17d of the Disclosure Document:

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

Add at the end of Item 17.j. after the sentence "No restriction on Company's right to assign." add the following: "However, no assignment will be made except to any assignee who in the good faith and judgment of the Franchisor is willing and able to assume the Franchisor's obligations under the Franchise Agreement."

Add in Item 17w of the Disclosure Document and at the end of the provision related to choice of law in Paragraph 9.8 of the Franchise Agreement:

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

MARYLAND
ADDENDUM TO DISCLOSURE DOCUMENT

A. Items 17(u) and (v) of the Disclosure Document are amended to add the following sentence:

"Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

B. Item 17(v) of the Disclosure Document is amended to add the following sentence:

"A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

C. Item 17(h) of the Disclosure Document is amended to add the following sentence:

"The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

D. Item 17(m) of the Disclosure Document is amended to add the following sentence:

"The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

MARYLAND
ADDENDUM TO FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

The Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law") applies to the franchise relationship between you and us because one or more of the following apply: (i) you are a resident of Maryland; (ii) the franchise that you will operate under the Franchise Agreement or the franchises that you will establish pursuant to the Area Development Agreement will be located or operated in Maryland; or (iii) any of the offering or sales activity relating to the Franchise Agreement or the Area Development Agreement occurred in Maryland.

The Maryland Franchise Law imposes certain requirements and limitations on franchise agreements that are subject to the Maryland Franchise Law and these requirements and limitations are set forth as follows:

a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

b) Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

c) You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.

d) The Franchise Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

e) Any acknowledgements or representations of you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

f) Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

VIRGINIA
ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND AREA DEVELOPMENT AGREEMENT

FDD Items 9 and 17

Additional Disclosure. The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Area Development Agreement

do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Area Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Development Agreement.

WASHINGTON
ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

FDD Item 5

In Washington, persons who receive financial incentives to refer franchise prospects to us (if applicable) may be required to

register as franchise brokers under relevant laws of the State of Washington.

All initial franchise fees will be due and payable only after the franchisee has (a) received all initial training that it is entitled to under the Franchise Agreement or Franchise Disclosure Document, and (b) is open for business.

Because the Franchisor has material pre-opening obligations with respect to each Franchised Business the franchisee opens under the Area Development Agreement, the Division will require that the Area Development Fee be released proportionally with respect to each Franchised Business.

FDD Item 17r; FA 14

The duration of the post-term non-competition covenant in Section 14 of the Franchise Agreement is hereby amended to 18 months (rather than two years) and is otherwise limited to the extent necessary to comply with applicable Washington law.

Assurance of Discontinuance

On or about September 12, 2019, we received a Civil Investigative Demand ("CID") from the Attorney General of Washington investigating "no-poach" provisions in franchise agreements. In lieu of responding to the CID, we and the Attorney General of Washington signed an Assurance of Discontinuance (AOD), which was entered with the State of Washington King County Superior Court, Case No. 19-2-25510-2, September 30, 2019.

In the AOD, we acknowledged the inclusion of no-poach provisions in our franchise agreements, but expressly denied that such conduct constitutes a contract, combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act, RCW.19.86.030, or any other law, and expressly denied that we have engaged in conduct that constitutes a contract, combination, or conspiracy in restraint of trade. We entered into the AOD to avoid protracted and expensive litigation.

In the AOD, we agreed, among other things, to (1) no longer include no-poach provisions in any of our future franchise agreements; (2) no longer enforce no-poaching provisions in any of our existing franchise agreements and not seek to intervene or defend in any way the legality of any no-poach provision in any litigation in which a franchisee may claim third-party beneficiary status rights to enforce an existing no-poach provision; (3) notify all of our franchisees of the entry of the AOD and provide them a copy; (4) notify the Attorney General's Office if we learn of any effort by a franchisee in Washington to enforce any existing no-poach provision; (5) take affirmative action to amend all existing franchise agreements with entities in Washington to remove any no-poaching provisions in our then-existing franchise agreements; and (6) amend all of our existing franchise agreements on a nationwide basis to remove any no-poach provision as they come up for either renewal or renegotiation during the ordinary course of business. On or about December 2, 2019, we submitted a declaration of compliance to the Attorney General's Office declaring that all provisions of the AOD have been satisfied.

The AOD is binding on, and applies to us and our directors, officers, managers, agents acting within the scope of their agency, employees, successors, assigns, controlled subsidiaries, divisions, groups, affiliates, partnerships, and joint ventures, or other entities through which we (at the time of entry of the AOD or thereafter) act with respect to the conduct alleged in the AOD.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of_____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this__day of_____, 20___.

FRANCHISOR:
STARCYCLE FRANCHISE, LLC,
An Oregon limited liability company

By: _____

Name: _____

Title: _____

FRANCHISEE:

Individual: _____

Signed: _____

Name: _____

Entity: _____

By: _____

Name: _____

Title: _____

EXHIBIT G

TO DISCLOSURE DOCUMENT

FORM OF GENERAL RELEASE

STARCYCLE FRANCHISE, LLC

FORM OF GENERAL RELEASE

(Current form – subject to change)

This General Release Agreement ("Agreement") is made this ____ day of _____, 20____. It is among STARCYCLE FRANCHISE, LLC ("Franchisor"), _____ and _____ (jointly and severally "Franchisee") and _____ and _____ (jointly and severally "Transferee").

RECITALS

On or about ____ day of _____, 20___, Franchisor and Franchisee entered into a StarCycle Franchise Agreement (the "Franchise Agreement[s]") for the operation of a StarCycle franchise at the following location: _____.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. Renewal of Franchise Agreement. The parties covenant and agree:

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal: _____.

D. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and System. This includes: _____.

E. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of $_____:_____.]

[1. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them, except as otherwise provided in this Agreement.

B. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

C. All obligations of Franchisee in connection with the Franchise Agreements and the franchises are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreements will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

D. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee

owes $--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

E. Franchisee is not in default in any way under the Franchise Agreements or any other agreement between it and Franchisor.

F. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of $---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a __ percent commission on the gross transfer price (excluding the price of real property), in the amount of $___. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

G. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the franchise, including but not limited to execution of a new franchise agreement in the form currently being used by Franchisor. The new franchise agreement may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing StarCycle franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

[I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.]

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

_____
_____

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises, except as follows:

_____
_____

Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

N. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

[O. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures,

equipment and signage to conform to the current Operations Manual and Method of Operation within 90 days of transfer. This includes: _____.]

P. Franchisee acknowledges that Franchisor has been and is authorized to release to Transferee any and all information maintained by Franchisor relating to the franchised business and the Franchise Agreement.

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

[2. Franchisee to Cease Using Trade Names, Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will immediately:

A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and all other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);
B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property; and
E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system.]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the StarCycle franchise operations manuals, or any other nonpublic information related to the operation of the StarCycle franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. This Section shall not reduce the scope of the confidentiality and non-disclosure obligations and restrictions in the Franchise Agreement; Franchisee will continue to comply with such obligations and restrictions.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee (for itself and on behalf of its affiliates, subsidiaries, divisions, successors, assigns, owners, officers, directors, LLC managers, employees and agents) ("***Releasing Parties***") does release and forever discharge and covenants not to sue Franchisor (and its affiliates, subsidiaries, divisions, successors, assigns, owners, officers, directors, LLC managers, employees and agents) ("***Released Parties***") from all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute (each a "***Claim***" and collectively "***Claims***"), including but not limited to Claims arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties through the date of this Agreement *[(except provisions in the Franchise Agreement concerning Franchisee's obligations upon termination).]*

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, through the date of this Agreement, including, but not limited to, economic loss.]

B. Waiver of Statute. With the advice of legal counsel, the Releasing Parties expressly waive any statute, legal doctrine or other similar limitation upon the effect of general releases. If applicable, the parties waive the benefit of California Civil Code Section 1542, which states: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

C. Covenant Not to Sue. The Releasing Parties covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim, against any of the Released Parties with respect to any Claim.

[D. Certain Obligations Not Released. The parties agree that the provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination will continue in full force and effect. Without limiting the generality of the foregoing, Franchisee shall be liable to Franchisor for royalties and any other fees that accrue prior to the Effective Date.]

E. Releasing Parties' Acknowledgments. EACH OF THE RELEASING PARTIES HEREBY ACKNOWLEDGE THAT THEY HAVE READ THIS RELEASE THOROUGHLY AND FULLY UNDERSTAND IT; THEY ARE VOLUNTARILY EXECUTING THIS RELEASE; THEY HAVE GRANTED THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE BEFORE EXECUTING THIS RELEASE; AND THEY ARE AWARE THAT BY SIGNING THIS RELEASE THEY ARE WAIVING CERTAIN LEGAL RIGHTS THAT THEY MAY HAVE AGAINST THE RELEASED PARTIES.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees. This Section shall not reduce the scope of the indemnities found in the Franchise Agreement.

6. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in good faith mediation in the county in which our headquarters are then located (currently Clackamas County, Oregon) in accordance with the mediation procedures of Arbitration Service of Portland, Inc. or of any similar organization that specializes

in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law and Venue. This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in the county in which our headquarters are then located (currently Clackamas County, Oregon).

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts and Electronic Signatures. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument. Execution of this Agreement via DocuSign or any other reputable e-signature service will constitute valid and enforceable execution.

L. Definition of "Including." In this Agreement, *including* means "including but not limited to" unless expressly stated otherwise.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

IN WITNESS WHEREOF, the parties have executed this Agreement.

Franchisor: STARCYCLE FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Franchisee:

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Individual Signature: _____

Print Name: _____

Individual Signature: _____

Print Name: _____

Transferee:

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Individual Signature: _____

Print Name: _____

Individual Signature: _____

Print Name: _____

Instructions for signatures (above) for "Franchisee" and "Transferee": If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.

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

FRANCHISOR:

STARCYCLE FRANCHISE, LLC,
An Oregon limited liability company

By: _____

Name: _____

Title: _____

RELEASOR:

FRANCHISEE:

_____,

[ ] an individual;
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation

By: _____

Name: _____

Title: _____

OWNER:

_____

_____, an individual

_____

_____, an individual

EXHIBIT H

TO DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

StarCycle Area Development Agreement

THIS AREA DEVELOPMENT AGREEMENT ("ADA") is entered into as of the date set forth on Schedule A of this ADA (the "Effective Date), which is incorporated by reference into this ADA, by and between STARCYCLE FRANCHISE, LLC, an Oregon limited liability company ("Franchisor") and the person(s) or legal entity identified on Schedule A as the franchisee ("Franchisee"). For convenience in this ADA, "we," "us, "and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

WHEREAS:

1. The parties have entered into a franchise agreement dated the same date as this ADA (the "Primary FA") for the right to develop one StarCycle studio (a "Studio"); and

2. You desire to expand your development rights by securing an exclusive geographic development area within which you agree to open and operate a defined number of additional Studios within a specified period of time, all as defined and stated in Schedule A, and we agree to grant you a license for such rights, subject to the terms and conditions contained in this ADA.

NOW, THEREFORE, in consideration of the foregoing and the payment of a stated franchise fee for each Studio (collectively the "Development Fee"), the parties hereby agree as follows:

1. Grant of Area Development License – We agree to grant to you, and you agree to accept and develop, a license to open and operate the number of Studios in the geographic Development Area within the Development Schedule, all as defined and specified in Schedule A. You agree to execute our then-current franchise agreement for each Studio upon executing the commercial lease for each Studio. Except for the development license granted herein, this ADA grants you no additional rights and you acknowledge that any and all other rights are granted by the applicable StarCycle franchise agreement.

2. Development Fee – Simultaneously with the execution of this ADA, you agree to pay a Development Fee in the amount indicated on Schedule A, which is a reduced franchise fee for each Studio based upon the total number of Studios you have committed to open and operated under this ADA. The Development Fee is fully earned by us and non-refundable even if you do not achieve the Development Schedule or otherwise commit a default under this ADA. The Development Fee Schedule is:

a)	Studios 2 – 4	$30,000 per Studio
b)	Studios 5 – 7	$26,000 per Studio
c)	Studios 8 – 9	$24,000 per Studio
d)	Studios 10 and above	$20,000 per Studio

3. Development Area – Provided that this ADA is in force and effect and that you perform according to the Development Schedule of Schedule A, we will not open and operate or license any third party to open and operate a Studio within the geographic Development Area that is defined in Schedule A by zip codes, map depictions, governmental boundaries, street, man-made and natural markers or compass-point directions. You acknowledge, however, that we retain all other development rights for the Development Area including those that are contained in Section 4.1 of your Primary FA.

4. Development Schedule – Schedule A contains a table stating the specified number of Studios that you must have open and in operation by the corresponding specified Opening Dates over a defined period of time. A then-current form of our franchise agreement must be executed by the parties upon execution of the commercial lease for each Studio. If an open Studio subsequently is closed and is not re-opened according to the terms and conditions of its franchise agreement, it will constitute an event of default under this ADA.

5. Termination – if any Event of Default as described below occurs, we will have the sole right in our discretion to immediately terminate this ADA and all rights granted under it. Upon such termination, you shall have no further rights under

this Agreement, but you will not be relieved or released from any existing or pending debts, obligations or liabilities that have accrued prior to the termination. We will not refund the Development Fee. You will continue to own and operate the Studios you have developed under this ADA and their respective franchise agreements. The following constitute Events of Default:

a) You fail to fully comply with any term, provision or requirement of this ADA;

b) You fail to pay the Development Fee or to execute any then-current franchise fee for any studio prior to its Opening Date deadline;

c) An event of default occurs under any franchise agreement that results in the termination of that franchise agreement for any Studio under this ADA;

d) You breach the Development Schedule by failing to open the minimum number of Studios within the Development Area by the applicable Opening Dates contained on Schedule A.

6. Restrictive Covenants – In consideration of the rights you have been granted under this ADA, you agree and acknowledge that you will be bound by all of the in-term and post-term restrictive covenants that are contained in your Primary FA, which are hereby incorporated by reference into this ADA, including but not limited to those contained in Section 14, such as, by example, Trademarks, Confidentiality, Non-Competition, Non-Disparagement, and No Diversion.

7. Assignment – This ADA has been granted to you based upon your personal attributes, qualifications and experience and therefore may not be assigned, transferred or given away by you to any third party, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, without our prior written approval that we may exercise in our sole discretion and without the exercise of our Right of First Refusal as outlined in your Primary FA. We have the right to assign this ADA or any interest in it to a third party without notice or restriction.

8. Guaranty - All owners, or the shareholders, partners, members or equity interest holders of you if Franchisee is a legal entity, together with their respective spouses or legal domestic partners, must sign a personal guaranty which is designed to ensure the timely payment and performance of all of the obligations contained in this ADA. The parties agree that the Guaranty signed by the Franchisee for their Primary FA shall also constitute and be binding as the Guaranty for this ADA and is incorporated herein by reference as if fully stated herein.

9. Incorporation of Other Terms – The following provisions of your Primary FA are hereby incorporated by reference into this ADA and are binding upon the parties as if fully set forth below: Section 18 (Notices), Section 19 (Dispute Resolution) and Section 20 (Miscellaneous).

[SIGNATURES ON NEXT PAGE.]

IN WITNESS WHEREOF, each of the parties has executed this ADA as of the Effective Date.

"Franchisor"
STARCYCLE FRANCHISE, LLC

By: _____
Name: _____
Title: _____

"Franchisee"
_____
Entity Name

By: _____
Name: _____
Title: _____

If Individuals:

_____
(Signature)
_____
(Printed Name)

_____
(Signature)
_____
(Printed name)

SCHEDULE A
TO THE
AREA DEVELOPMENT AGREEMENT

1. Effective Date of the ADA: _____

2. Termination Date of the ADA: _____

3. Franchisee's Name(s): _____

4. Development Fee: $ _____

5. Development Area description and attached map as Exhibit 1:

_____

_____

6. Development Schedule: Franchisee agrees to open and operate a total of ___ Studios within the Development Area during the Term of this ADA according to the following Schedule:

Number of Studios	Opening Deadline
1. _____	1. _____, 20____
2. _____	2. _____, 20____
3. _____	3. _____, 20____
4. _____	4. _____, 20____
5. _____	5. _____, 20____
6. _____	6. _____, 20____
7. _____	7. _____, 20____
8. _____	8. _____, 20____

EXHIBIT I

TO DISCLOSURE DOCUMENT

FORM OF SOFTWARE USE AND LICENSE AGREEMENT

(SUBJECT TO CHANGE)

SOFTWARE USE AND LICENSE AGREEMENT

This Software Use and License Agreement (this "Agreement"), dated _____, 20____ (the "Effective Date"), is made by and between StarCycle Franchise, LLC., an Oregon limited liability company ("Licensor"), and _____, a _____ ("Licensee").

RECITALS

A. Licensor has spent considerable time, money and effort to develop the StarCycle indoor cycling concept, is the franchisor of the StarCycle franchises and has negotiated license relationships with Mind Body Online, Ceterus and other developers (collectively "Developers") for the use of point of sale, *[accounting]* and analytical software in the operation of StarCycle franchises, including any updates and revisions (the "Software") and will expend additional resources to maintain and improve the connectivity and utilization of such Software; and

B. Licensee has entered into a StarCycle franchise agreement under which Licensee has the right and obligation to operate a StarCycle franchised business (the "Franchise Agreement") in a designated location; and

C. The Software is required for the operation of a StarCycle franchise; and

D. Pursuant to the Franchise Agreement, Licensee is required to execute this Agreement and obtain a license to use the Software; and

E. Licensor wishes to grant certain rights and licenses to Licensee with respect to the Software, and Licensee wishes to obtain such rights and licenses with respect to the Software, on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Services. Licensor hereby grants to Licensee a non-exclusive, non-transferable, revocable license (with no sublicensing rights) to use the Software exclusively for the internal operations of a StarCycle franchise and for no other purpose unless Licensee has received prior written consent from Licensor for such purpose. Licensor shall provide all documentation for the operation of the Software. Licensee agrees to open a separate account with the Developers for each franchise that Licensee owns.

2. Term. Unless sooner terminated, the term of this Agreement and of the license granted herein will begin on the Effective Date set forth above and will continue until the expiration or termination of the Franchise Agreement ("Term"). If Licensee renews its franchise rights upon the expiration of the initial term of the Franchise Agreement (by signing a successor franchise agreement with Licensor), Licensee must execute Licensor's then-current form of Software Use and License Agreement, pay all fees required under such agreement, and comply with all terms and conditions set forth in Licensor's then-current form of Software Use and License Agreement. Licensee acknowledges that the terms and conditions of Licensor's then-current form of Software Use and License Agreement may be substantially different from the terms and conditions of this Agreement, including without limitation, increased Software License Fees.

3. Technical Requirements. Licensee agrees to comply with the applicable hardware, software and other technical and pre-setup requirements for Licensee's use of the Software as Licensor may establish from

time to time during the Term.

4. Software Support.

(a) The developers shall provide technical support for the Software during normal business hours Monday through Friday according to terms and conditions then in effect and as published by such developers.

5. Payment.

(a) Throughout the term of this Agreement (beginning upon the use by Licensee of the Software and prior to the opening of Licensee's StarCycle Studio), Licensee shall pay monthly fees of ***$***_____ per month to Licensor for such use (the "Monthly Maintenance Fees"); provided, however, that the Monthly Maintenance Fees may be increased by Licensor in its sole discretion upon 30 days' prior written notice to Licensee.

(b) All applicable fees under this Agreement are to be paid to Licensor via an ACH bank transfer, due on the 5th day of each month or by the morning of the next business day if the 5th is not a business day. Any fees not received will be assessed a late fee penalty of $5.00 per day until such fees are paid in full.

(c) Licensee will not, on grounds of the alleged nonperformance by Licensor of any of its obligations or for any other reason, withhold payment of any Software License Fees or payments due to Licensor pursuant to this Agreement or pursuant to any other contract, agreement or obligation. Licensee will not have the right to "offset" any liquidated or unliquidated amounts, damages or other sums allegedly due to the Licensee by Licensor against any payments due to Licensor under this Agreement.

(d) If Licensor authorizes a sale of Licensee's StarCycle franchise to a third party ("Transferee") Licensee must notify the Transferee that it will be obligated to enter into a new Software Use and License with Licensor, and that a software transfer fee of $150.00 will be required to be paid to Licensor.

(e) For purposes of this Agreement, any applicable software transfer/setup fees and the required Monthly Maintenance Fees will be collectively referred to as "Software License Fees." Licensee acknowledges that it has agreed, pursuant to the Franchise Agreement, to obtain and maintain at all times such computer equipment and software (including without limitation, the most current version of the Software) as may from time to time be required by Licensor for use in the operation of the Licensee's StarCycle Studio. Licensee further acknowledges that future changes and upgrades in technology and the opportunity and need to meet and surpass competition may necessitate that Licensor increase the Software License Fees due hereunder to amounts reasonably sufficient to cover the costs such changes or upgrades and a reasonable return to Licensor on its investment in, and administration, of such upgrades or changes. Licensee further acknowledges that any upgrade to the Software may necessitate upgrades in Licensee's computer hardware and third-party software required to operate the Software, which may result in additional costs or fees payable by Licensee.

6. Access to Software and Information. Licensee agrees that Licensor will at all times have the right to access the Software and its data, by modem, print-out of data or any other means selected by Licensor, for purposes of obtaining financial, sales, customer, business and supplier information as well as all other data and information contained in, or otherwise available on, Licensee's computer system, for purposes of verifying Licensee's compliance with the terms of this Agreement, the Franchise Agreement, and for such other purposes as may be determined by Licensor, in its sole judgment. Licensor will have the right to retain and use any information obtained by accessing the Licensee's Software and computer system for any purposes deemed appropriate by Licensor, in its sole judgment.

7. Licensee Training. Licensor shall conduct training sessions pursuant to the guidelines set forth in the

Franchise Agreement, and Licensor may designate one or more training sessions as mandatory. Licensee must attend and successfully complete all mandatory training sessions at times and at such locations as Licensor shall establish.

8. Ownership. Licensee acknowledges that Licensor has the sole right to license and control Licensee's use of the Software. Licensee acknowledges that it has no ownership right in any data or information generated by the Software, including customer data and other sales information. Licensee further acknowledges that it does not acquire any right, title or interest in or to the Software except as expressly set forth herein. Licensor specifically retains all right, title and interest in and to all proprietary and intellectual property rights in and to the Software, including without limitation, trade secrets, data, customer lists, copyrights, trademarks, patents, functionality and business methodology embodied therein, and the like. All rights not expressly granted to Licensee herein are specifically reserved to Licensor. Upon termination of this Agreement, Licensee shall have no right to utilize the Software or any data generated by the Software.

9. Restrictions on Use.

(a) Licensee is prohibited from, and shall not under any circumstances, decompile, reverse compile, reverse engineer, reverse assemble or otherwise attempt to derive any source code or its equivalent for the Software. In addition, Licensee shall not copy the Software without the Licensor's written consent. Licensee shall not download any portion of the Software except as Licensor may expressly permit or instruct in writing. Licensee shall not permit any third-party access to the Software, and Licensee shall use the Software only on computers for which Licensee controls access to the Software. Licensee shall not assign, transfer, sell, rent, license, sublicense, or grant any rights to or interests in the Software to any corporation, partnership or other business entity or any other person. Licensee shall not, at any time, use or exploit (or authorize or permit any third party to use or exploit) any of the Software's content or data. Licensee will comply with all terms and conditions applicable to or accompanying any third-party software furnished to Licensee under or in connection with this Agreement.

(b) Licensee is prohibited from printing or copying (including, without limitation, for back-up, training, testing or disaster recovery), in whole or in part, the Software except to the extent expressly permitted in advance in writing by Licensor, which permission Licensor may withhold in its sole discretion. Any back-up training, testing or disaster recovery system intended to be or used by Licensee must be approved in advance in writing by Licensor, which approval Licensor may withhold in its sole discretion. Licensee acknowledges and agrees that any and all diskettes, CDs or any other physical embodiments or media, including, but not limited to, authorized and unauthorized copies, of the Software are the sole and exclusive property of the applicable developer. Any authorized copies of the Software must contain appropriate proprietary and trade secret, copyright, trademark or other applicable legends as designated by Licensor. Except as otherwise set forth in this Agreement, Licensee shall take reasonably measures to store, secure and prevent access to each physical embodiment of the Software. Licensee shall not use the name of Software or refer to Software directly or indirectly in any papers, articles, advertisements, sales presentations, news releases or releases to any third party without the prior written approval of Licensor for each such use. Licensee may not release the results of any performance or functional evaluation of any portion of the Software to any third party.

10. EXCLUSION OF WARRANTIES. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, LICENSOR DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE SOFTWARE, OR ANY COMPONENT OF THE FOREGOING, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, CORRECTNESS, COMPLETENESS, COMPREHENSIVENESS, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (IRRESPECTIVE OF ANY COURSE OF DEALING, CUSTOM OR USAGE OF TRADE), OR ANY REPRESENTATION THAT THE SOFTWARE WILL MEET LICENSEE'S REQUIREMENTS OR THAT THE LICENSEE'S OR ANY APPROVED

LICENSEES' USE THEREOF WILL BE UNINTERRUPTED OR ERROR-FREE, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES.

11. LIMITATION OF LIABILITY. LICENSOR SHALL HAVE NO LIABILITY TO LICENSEE OR TO ANY APPROVED LICENSEE WITH RESPECT TO LICENSOR'S OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES, OR ANY LOSS OF PROFIT, REVENUE, DATA OR GOODWILL, WHETHER INCURRED OR SUFFERED AS A RESULT OF ANY ERRORS, DEFECTS OR NON-FUNCTIONING OF THE SOFTWARE OR OTHERWISE, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL LICENSOR'S AGGREGATE LIABILITY HEREUNDER FOR ANY CAUSE IN ANY CALENDAR YEAR ARISING OUT OF OR RELATED TO THE SOFTWARE, LICENSOR'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT OR OTHERWISE EXCEED THE AMOUNT OF THE MONTHLY MAINTENANCE FEES PAID HEREUNDER TO LICENSOR IN THE CALENDAR YEAR IN WHICH SUCH DIRECT DAMAGES ARE INCURRED. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION OR CLAIMS IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION, BREACH OF CONTRACT, BREACH OF LIMITED WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATION AND OTHER TORTS.

12. Confidentiality; Non-Disclosure. Licensee agrees that the Software contains valuable proprietary information and that, except for those rights expressly conveyed to Licensee in this Agreement, Licensee has no ownership rights or other rights in the Software. During the term of this Agreement, Licensee shall maintain the confidentiality of this information and not disclose the same to any third party or use it except as authorized by this Agreement. Licensee shall have no obligation of confidentiality or non-use with regard to information which (i) is or becomes a part of the public domain through no act or omission of Licensee, (ii) was in the Licensee's lawful possession prior to the disclosure by Licensor and had not been obtained by Licensee either directly or indirectly from Licensor, (iii) is lawfully disclosed to Licensee by a third party without restrictions on disclosure, (iv) is independently developed by Licensee, or (v) is required to be disclosed by law.

13. Termination. This Agreement shall automatically terminate upon the termination or expiration of the Franchise Agreement. In addition, Licensor may terminate this Agreement: (a) without notice to Licensee at any time if Licensee is in default of the Franchise Agreement; (b) if Licensee fails to pay one or more Monthly Maintenance Fees when due and such failure is note cured within five (5) days after written notice from Licensor; and (c) upon ten (10) days written notice of Licensee's failure to comply with any other term of this Agreement if such failure is not cured within ten (10) days following such notice. In the event of termination, and without limiting Licensor's remedies hereunder, Licensee shall be responsible for payment of all past due Monthly Maintenance Fees and charges up to the date of such termination.

14. Third Party Beneficiary. Licensee understands, acknowledges, and agrees with Licensor that Talech, Inc., and its affiliates, assigns and designees (which may include the creator(s) of the Software) are an intended third-party beneficiary of the terms and conditions of this Agreement.

15. Restriction on Assignment. Licensee may not sell, assign or otherwise transfer any of its rights or delegate any of its duties under this Agreement to any party without the prior written consent of Licensor, which may be withheld in its sole and absolute discretion. Any attempted transfer in violation of this Section 15 will be null and void and of no legal effect. Licensor may assign its rights and obligations under this Agreement to any third party without Licensee's consent.

17. Jurisdiction; Applicable Law. This Agreement shall be construed in accordance with the substantive laws of the State of Oregon (excluding Oregon's conflicts of law rules). Any controversy or claim arising out of, or in connection with, this Agreement will be settled only by a court having proper jurisdiction and located in Clackamas County, Oregon. The parties hereto expressly agree that Clackamas

County, Oregon is the proper venue for resolution of all disputes arising out of, or in connection with, this Agreement.

18. Notices. All notices required to be given under this Agreement shall be in writing and shall be transmitted either by personal delivery, reliable overnight courier (such as Federal Express), or through the facilities of the United States Post Office, postage prepaid, certified or registered mail, return receipt requested, or by confirmed facsimile transmission. Any such notice shall be effective upon delivery, if delivered by confirmed facsimile transmission or by personal delivery or overnight courier, and 72 hours after dispatch, if mailed in accordance with the above. Notices to the respective parties shall be sent to the following addresses unless written notice of a change of address has been previously given pursuant hereto:

To Licensor:

StarCycle Franchise, LLC
375 Second Street
Lake Oswego, Oregon 97034
Attn: Chief Executive Officer

To Licensee:

_____
_____
_____
_____

19. Waiver. No waiver by Licensor of any breach of a provision of this Agreement by Licensee will constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver will be effective unless made in writing and signed by an authorized representative of Licensor.

20. Entire Agreement. This Agreement (including any exhibits or addenda hereto), along with the Franchise Agreement, contain the entire understanding of the parties with respect to the transactions and matters contemplated hereby, and this Agreement supersedes all previous agreements concerning the subject matter hereof. This Agreement cannot be amended except by a writing signed by both parties. Nothing in this Agreement is intended to disclaim anything contained in the Franchise Disclosure Document Licensor provided to Licensee.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

LICENSOR:
STARCYCLE FRANCHISE, LLC.

By: _____

Printed Name: _____
Title: _____

LICENSEE:

By: _____

Printed Name: _____
Title: _____

State Effective Dates

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

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

State	Effective Date
California	Offered by separate disclosure document
Illinois	Offered by separate disclosure document
Indiana	Offered by separate disclosure document
Michigan	October 15, 2021
Virginia	Offered by separate disclosure document
Washington	February 14, 2022
Wisconsin	Offered by separate disclosure document

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

EXHIBIT J

TO DISCLOSURE DOCUMENT

RECEIPT

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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

Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. New York requires that we give this Disclosure Document to you by the earliest of (1) the first personal meeting to discuss our franchise; or (2) ten business days before the signing of a binding agreement; or (3) ten business days before a payment to franchisor or its agent.

If StarCycle Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on Exhibit E.

The franchise seller(s) involved with the sale of this franchise is/are Dionne Del Carlo (Member and CEO), Nate Boozer (Training Director), Madison Cooper (Director of Operations), Alex Engel (Training Operations Manager), StarCycle Franchise, LLC, 375 Second Street, Lake Oswego, Oregon 97034, (503) 303-4498; Haley Smith (Contracted Marketing Director), 115 Silver Rock Trail, Castle Rock, Colorado 80104, (720) 480-2854; Andrew Bates and Austin Titus, Accurate Franchising, Inc., 2121 Vista Pkwy, West Palm Beach, Florida 33411; and the following individuals (to be filled in by franchise seller):

Name:_____; Address:_____; Phone:_____
Name:_____; Address:_____; Phone:_____
Name:_____; Address:_____; Phone:_____

Issuance Date: January 19, 2023

We authorize the persons and/or entities listed on Exhibit E to receive service of process for us.

I have received a Disclosure Document dated January 19, 2022. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement and Attachments
Exhibit B	Franchise Confidentiality Agreement
Exhibit C	Table of Contents of Operations Manual; Agreement for Receipt of Operations Manual
Exhibit D	Financial Statements
Exhibit E	List of State Administrators and Agents for Service of Process
Exhibit F	State Specific Addenda
Exhibit G	Form of General Release
Exhibit H	Area Development Agreement
Exhibit I	Form of Software Use and License Agreement
Exhibit J	Receipts

Date: _____

Franchisee:

Signed: _____ Entity Name: _____

Print Name: _____ Signed: _____

Signed: _____ Print Name: _____

Print Name: _____ Title: _____

Please sign and retain this copy of the Receipt for your records.

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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

Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. New York requires that we give this Disclosure Document to you by the earliest of (1) the first personal meeting to discuss our franchise; or (2) ten business days before the signing of a binding agreement; or (3) ten business days before a payment to franchisor or its agent.

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Exhibit J	Receipts

Date: _____

Franchisee:

Signed: _____ Entity Name: _____

Print Name: _____ Signed: _____

Signed: _____ Print Name: _____

Print Name: _____ Title: _____

Please sign this copy of the Receipt, date your signature, and return it to: StarCycle Franchise, LLC, 375 Second Street, Lake Oswego, Oregon 97034; Telephone: (503) 303-4498; Email: staff@starcycleride.com.