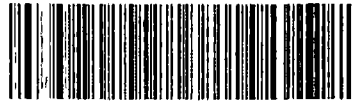


# The Barre Code®



## FRANCHISE DISCLOSURE DOCUMENT

Barre Code Franchisor, L L C  
an Illinois limited liability company  
435 N LaSalle Blvd LL2  
Chicago, IL 60654  
(312) 595-1600  
[franchising@thebarrecode.com](mailto:franchising@thebarrecode.com)  
[www.thebarrecode.com](http://www.thebarrecode.com)

RECEIVED

APR 10 2018

Department of Business Oversight  
Los Angeles Office

We offer a franchise to own and operate a barre-based fitness and workout studio under "The Barre Code" name and marks

The total investment necessary to begin operation of a Barre Code franchise ranges from **\$222,500-\$515,000**. This includes the Initial Franchise Fee of \$49,500 that must be paid to the franchisor. This also includes the option, if we grant the right to develop multiple units, of entering into a 3 or 5 Multi-Unit Territory Development Agreement, which has an Initial Franchise Fee of \$108,500 for the combined 3-Studios or \$152,500 for the combined 5-Studios that must be paid to franchisor.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any 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 Samantha Piolet at Barre Code Franchisor, L L C, 435 N LaSalle Blvd LL2, Chicago, IL 60654 and (312) 595-1600.

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

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

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

**ISSUANCE DATE April 8, 2018**

## STATE COVER PAGE

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

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

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

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

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION IN A JURISDICTION IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, CHICAGO, ILLINOIS). OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, CHICAGO, ILLINOIS) THAN IN YOUR HOME STATE.

2 THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3 IF YOU ARE A BUSINESS ENTITY, YOUR OWNERS WILL HAVE TO GUARANTY YOUR OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF OUR FRANCHISE AGREEMENT. YOUR SPOUSE MUST ALSO SIGN A GUARANTY WHICH PLACES YOUR SPOUSE'S MARITAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4 YOU MUST MAKE MINIMUM ROYALTY OR ADVERTISING FUND PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THESE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date See the next page for state effective dates.

## BARRE CODE FRANCHISOR, L L C

### STATE EFFECTIVE DATES

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

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

|              |                   |
|--------------|-------------------|
| California   | Pending*          |
| Hawaii       | Pending**         |
| Illinois     | Pending*          |
| Indiana      | Pending*          |
| Maryland     | Pending**         |
| Michigan     | April 8, 2018     |
| Minnesota    | Pending*          |
| New York     | Pending*          |
| North Dakota | Pending**         |
| Rhode Island | Pending**         |
| South Dakota | Pending**         |
| Virginia     | Pending**         |
| Washington   | December 13, 2017 |
| Wisconsin    | April 8, 2018     |

\*A previous version of the 2017 FDD is on file and registered in these states, but this version of FDD is still currently pending

\*\*This version of the FDD has been submitted and is currently pending For all other states that do not require registration, the effective date is April 8, 2018



**THE FOLLOWING APPLY TO**  
**TRANSACTIONS GOVERNED BY**  
**THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:
  - (i) the term of the franchise is less than 5 years and
  - (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to

Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise Section  
G Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
Telephone Number 517-373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

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## **EXHIBITS**

|           |                                                            |
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| Exhibit A | List of State Agencies/Agents For Service Of Process       |
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| Exhibit I | Representations and Acknowledgment Statement               |
| Exhibit J | Sample General Release                                     |
| Exhibit K | Receipts                                                   |

**APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES  
RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE  
DOCUMENT THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN  
EXHIBIT F**

## **Item 1**

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this franchise disclosure document (this "Disclosure Document"), "Franchisor," "we," "us," or "our" means Barre Code Franchisor, L L C , the franchisor "You" means the person or entity who buys the franchise from us If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (defined below) and other agreements as described in this Disclosure Document

We organized in Illinois on December 17, 2012 as a limited liability company Our principal business address is 435 N LaSalle Blvd LL2, Chicago, IL 60654 Our principal telephone number is (312) 595-1600 If we have an agent for service of process in your state, we disclose that agent in Exhibit A We do business under our corporate name and "The Barre Code"

#### **Our Parents, Predecessors and Affiliates**

We are wholly-owned by our parent, BCB FIT, L L C ("BCB") BCB organized in Illinois on December 11, 2012 and shares our principal business address BCB has never operated any Studios (as defined below), nor has it ever offered franchises for Studios or any other concepts, but it may do so in the future

Our affiliate, BB FIT, L L C ("BBF"), organized in Illinois on May 18, 2009 as B Pure LLC and changed its name to BB FIT, L L C on February 13, 2013 It shares our principal business address BBF began operating Studios using the trade name "Barre Bee Fit" in June 2010 and completed a rebrand from "Barre Bee Fit" to "The Barre Code" using the "Barre Code" trade name and trademark in July 2014 BBF currently owns and operates four Barre Code Studios in Chicago, Illinois, one Barre Code Studio in Miami, Florida, and one Barre Code Studio in Denver, Colorado (the "Company Studios") BBF has never offered franchises for Studios or any other concepts, but it may do so in the future

Our affiliate, Barre Code IP, LLC ("BCIP"), organized in Illinois on January 3, 2013 It shares our principal business address BCIP owns and will provide trademark license rights in certain trademarks to us, enabling us to license trademark rights in those trademarks to franchisees (See Item 13) BCIP has never operated Studios, nor has it ever offered franchises for Studios or any other concepts, but it may do so in the future

We do not currently own or operate any Studios We began offering franchises for Studios under the "Barre Bee Fit" name in February 2013 and as of February 1, 2014 we had sold 19 total franchises for The Barre Code Studios We have never offered franchises for any other concepts (other than Studios previously offered under the "Barre Bee Fit" name), but we may do so in the future We do not currently have any other business activities

## **The Franchise**

We offer and grant franchises to operate fitness and workout studios offering barre-based fitness classes and other services and products we authorize (each, a “Studio”) Each Studio will typically be comprised of one instruction room, in which group classes may be offered (“Classroom”) Studios offer a wide array of classes focusing on cardiovascular conditioning, strength training, and restoration Customers of each Studio can purchase single classes, class packages or monthly all-access memberships, as well as an array of fitness related and branded products

Studios have distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications (together, the “System”), all of which we may improve, further develop, or otherwise modify over time We call the Studio that you will operate “your Studio” We grant franchises for new Studios that will be operated under the “The Barre Code” name and trademark and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”)

For a single studio unit, you will sign the form Franchise Agreement, attached as Exhibit B to this Disclosure Document, for a franchise to operate a Studio (the “Franchise Agreement”) Under the Franchise Agreement, you will receive the right to use the Marks and the System to operate your Studio at a site selected by you and approved by us (the “Premises”)

## **Territory Development**

In addition, for qualified franchisees who desire the right to develop multiple Studios within a designated territory (the “**Development Area**”) that meet certain conditions, we also offer the opportunity to enter into a Multi-Unit Territory Development Agreement with us (the “**Multi-Unit Agreement**”) to develop a mutually agreed upon number of Studios in accordance with a development schedule specified in the Multi-Unit Agreement (the “**Development Schedule**”) Our current form of Multi-Unit Agreement is included as Exhibit C to this Disclosure Document

In accordance with the Multi-Unit Agreement, you must have delivered to us a signed copy of our then-current standard form of Franchise Agreement, which may contain terms and conditions that are materially different than the form of Franchise Agreement that is attached as Exhibit B to this Disclosure Document If you fail to open and continue to operate the required number of Studios in accordance with the mutually agreed Development Schedule, we will have the right to terminate the Multi-Unit Agreement If the Multi-Unit Agreement is terminated, you will lose all of your rights to develop the Development Area and the initial fees paid for any Studios for which Franchise Agreements have not been signed However, the Franchise Agreement for each Studio which has been opened will not be terminated solely by reason of the termination of the Multi-Unit Agreement

Unless you sign a Multi-Unit Agreement, you have no obligation, no any right, to open any additional Studios

## **Market Competition and Regulations**

A Studio will offer its services and products to the general public and compete with other workout and fitness establishments. Fluctuations in interests and habits of the public, local, and national economic conditions, population density, and general traffic conditions affect the fitness industry and are generally difficult to predict. You may also encounter competition from other Studios operated by our affiliates or other franchisees. We are one of many franchisors in the highly competitive fitness and workout industry.

Certain states and local governments have passed laws relating specifically to health and fitness clubs, including laws requiring postings concerning steroids and other drug use, requiring certain medical equipment in the club, limiting the supplements that health and fitness clubs can sell, requiring that health and fitness clubs not be unmanned, requiring bonds if a health and fitness club sells memberships valid for more than a specified time period, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called "presale" memberships), and imposing other restrictions on memberships that health and fitness clubs sell.

Other regulations may apply to site location and building construction. You must know the laws and regulations applicable to your Studio and ensure that you and your employees comply with all laws and regulations. You are also responsible for obtaining any licenses or permits required for operating your Studio and you and your employees. You must comply with all applicable local, state, and federal laws that apply generally to all businesses. You should investigate these laws.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **Jillian Lorenz Co-Founder and Co-Chief Executive Officer**

Ms. Lorenz has served as one of our co-founders and co-Chief Executive Officer since our formation in December 2012. Ms. Lorenz has also served as a co-founder and manager of BCB, BBF and BCIP since their respective formations.

#### **Ariana Chernin Co-Founder and Co-Chief Executive Officer**

Ms. Chernin has served as one of our co-founders and co-Chief Executive Officer since our formation in December 2012. Ms. Chernin has also served a manager of BCB since its foundation.

**Samantha Pielet General Counsel**

Ms Pielet has served as our General Counsel since September 2017. Previously, Ms Pielet served as Associate General Counsel beginning in November 2015. Prior to joining the team as Franchising Coordinator in October 2014, Ms Pielet served as a legal intern under Ms Lee in January 2014. Ms Pielet was a law student at DePaul University College of Law from August 2012 to May 2015.

**Dana Farber Vice President, Brand Strategy**

Ms Farber has been a part of The Barre Code family since October 2013, when she began running the corporate social media accounts while at Skirt Public Relations. She joined full-time as the Director of Franchise Marketing & Social Media in March 2015, quickly growing to Director of Brand Development in April 2016 and, finally, to Vice President of Brand Strategy in January 2018. Ms Farber was a Creative Writing & Art History major at Northwestern University from September 2007-June 2011.

**Kaye Straub National Director of Training & Development**

Ms Straub has served as our National Director of Training and Development since April 2017. Previously, she served as the company's first Franchise Training Manager beginning in April 2016 and has been an Instructor and Master Trainer with the company since August 2014. Ms Straub has two Bachelor of Arts Degrees from Augustana University in Mathematics and Theatre.

**Brianna Sharp Chief Financial Officer**

Ms Sharp has served as our Chief Financial Officer since June 2015. Ms Sharp began her career working at a large public accounting firm and obtained her CPA license. After leaving the accounting firm, Ms Sharp spent several years in the private sector prior to joining the leadership team as Chief Financial Officer.

**Kristina Grbich Vice President of Business Management**

Kristina began her role as The Barre Code's VP of Business Management in January 2018. She is a graduate of NYU (B.A. Political Science, French) and holds a Master's degree in International Relations from Central European University. Kristina's professional experience spans several industries, beginning her career in the legal field before moving on to leadership roles in finance and operations strategy. Most recently she served as the Senior Managing Director of a boutique consulting firm where she focused on driving and managing the organization's rapid growth and geographic expansion.

**Item 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.



**Item 4**

**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item

**Item 5**

**INITIAL FEES**

Initial Franchise Fee The initial franchise fee for a single Studio is \$49,500. If you choose to execute the 3 or 5 Studio Multi-Unit Agreement, attached as Exhibit C, the initial franchise fee for 3 Studios will be \$108,500 and the initial franchise fee for 5 Studios will be \$152,500. You must pay us the Initial Franchise Fee in a lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable in whole or in part under any circumstances.

Initial Training Fee The initial training fee for your Studio is \$10,000. You must pay us the Initial Training Fee in a lump sum as soon as your instructor/trainer has been found, if not you or your operating partner, and such trainer has made arrangements to undergo initial training with The Barre Code's HQ Training Team.

**Item 6**

**OTHER FEES**

| Name of Fee <sup>1,2</sup> | Amount                                                                                                                            | Due Date | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty                    | 6% of your Studio's Gross Sales <sup>3</sup><br><br>A monthly minimum royalty of \$500 will be assessed at the end of each month. | Weekly   | You must pay us a Royalty in the manner we prescribe. Currently, we have retained OnePoint BPO ("OnePoint") as our outsourced Royalty collection service. You will be expected to provide OnePoint with your business checking information when you sign your Franchise Agreement.<br><br>A monthly minimum royalty ("Minimum Royalty") of \$500 will be assessed at the end of every month if franchisee fails to meet minimum from their own gross sales. |

| Name of Fee <sup>1, 2</sup>               | Amount                                                                                                                                                                                                                                | Due Date | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing Fund Contributions <sup>5</sup> | 1% of your Studio's Gross Sales for the first 24 weeks, thereafter, the greater of 1% of your Studio's weekly Gross Sales or \$40 per week (for a one-Classroom Studio) or \$80 per week (for a two-Classroom Studio) <sup>3, 4</sup> | Weekly   | See Item 11 for a detailed discussion about the Marketing Fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Weekly fees                               | \$56 40/week                                                                                                                                                                                                                          | Weekly   | <p>The MindBody point of sale system, email account subscription, IT services and maintenance, Emma (our email marketing platform) and the Core portal, which houses routines, playlists, and pre-opening materials, will be provided to you for a weekly subscription fee. This will be collected along with your Royalties by OnePoint BPO. These fees will be assessed prior to your grand opening, by us upon initiation of the services described above. Thus, you will incur the individual cost of each service described as you begin to use each of the items. Once your MindBody page is activated, your full weekly fee of \$56 40 will be assessed. This will typically occur 8 weeks prior to your grand opening.</p> <p>You will be provided a designated email address for your Studio, registered to our domain name. Additionally, you may request additional email addresses. We will determine whether or not to grant you additional email addresses in our discretion. See Section 3C of Franchise Agreement for a detailed discussion of weekly fees.</p> |

| Name of Fee <sup>1,2</sup>    | Amount                                                                                                                               | Due Date    | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Grand Opening Expenditure     | \$5,000 - \$10,000                                                                                                                   | As Incurred | The Franchise Agreement requires you to spend a minimum of \$5,000 as your Grand Opening Expenditure (as defined in Item 11) during the Grand Opening Period (as defined in Item 11) You must also conduct an advertising program we approve before you begin offering or selling Memberships prior to opening your Studio ("Pre-Opening Membership Sales") We estimate that you may, depending on the mediums chosen by you, spend up to \$10,000 on advertising prior to opening your Studio, which amounts count towards your Grand Opening Expenditure (See Items 7 and 11) |
| Local Advertising Cooperative | Percentage of your Studio's Gross Sales <sup>3</sup> as determined at time Local Advertising Cooperative is established <sup>4</sup> | Weekly      | See Item 11 for a detailed discussion about the Local Advertising Cooperative [Optional]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Local Advertising Expenditure | The greater of \$500 or 1% of your Studio's Gross Sales <sup>3 4</sup>                                                               | Monthly     | As discussed in more detail in Item 11, you are required to spend the greater of \$500 or 1% of your Studio's Gross Sales each month on local advertising ("Local Advertising Expenditure") However, we may, upon 60 days' notice, issue you a notice that all or part of such amount be paid to us or our designee If we exercise this option, we will contribute the collected amount to the Marketing Fund                                                                                                                                                                   |

| Name of Fee <sup>1 2</sup>          | Amount                                                                                                                                          | Due Date                 | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Additional Training Fee             | Then current charge, currently \$1,000 per day (8 hr day) or \$300 per hour, plus expenses <sup>6</sup>                                         | As incurred              | You will pay us an Additional Training Fee (1) if we determine that you (or your Operating Partner), your Instructor Trainer, or, if required by us, any employees or instructors need additional training or assistance, or (2) you (or your Operating Partner) or your Instructor Trainer request additional assistance. Additional travel fees are not included and will be assessed accordingly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Instructor Certification Review Fee | <p>\$200 per instructor for up to 2 class formats</p> <p>\$75 for each additional format that is submitted</p> <p>\$50 for any resubmission</p> | As incurred              | If we permit you to offer certification programs at your Studio to train your prospective instructors, you must submit video recordings of the instructor's participation in these programs to us and we will charge a fee to review the videos for each attendee each time they participate in the program. For new instructors that are not part of your initial instructor team, we charge a fee of \$200 per instructor to review videos of the instructor's attendance in up to 2 certification programs, if the instructor enrolls in these 2 certification programs simultaneously. If any new instructor enrolls in more than 2 certification programs simultaneously, we will charge an additional fee of \$75 per each additional format submitted, or if any instructor is required to resubmit their video recordings for certification, we will charge a \$50 resubmission fee. |
| Certification Compliance Fee        | \$1,000 per incidence                                                                                                                           | As incurred per incident | If there is an uncertified instructor on your class schedule, you will be charged a fee of \$1,000 per incident. Additionally, you will also be charged a fee of \$1,000 should it be noted that any of your instructors are teaching any materials other than the approved Curriculum.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Name of Fee <sup>1,2</sup> | Amount                                                                                        | Due Date                  | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------|-----------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Renewal Franchise Fee      | \$5,000                                                                                       | As incurred               | If you renew your Franchise Agreement for one 10-year term after the expiration of the Franchise Agreement, your right to renew your Franchise Agreement is subject to other terms and conditions                                                                                                                                                                                                                                                             |
| Transfer                   | 10% of the sale price of the Studio, not to exceed the cost of the then-current franchise fee | Before transfer completed | We have a right of first refusal to purchase your Studio should you decide to sell. Any transferee shall have to pay the transfer fee except that, in the event you (or your Operating Partner) or an owner with a controlling ownership interest in you ("Controlling Owner"), dies or is disabled, no transfer fee will be charged if transfer is to an immediate family member of you (or your Operating Partner) or the Controlling Owner, as applicable. |
| Annual Owner's Conference  | \$250 per franchise owner                                                                     | Before conference         | We will be hosting an annual owner's conference at a location designated by us, at a time that is agreed upon by you and us. For all those in attendance, it will be \$250 per person. Owner's convention is mandatory, as it will assist with the continued growth, support, and education of the business.                                                                                                                                                  |
| Training Conference        | \$250 per person in attendance                                                                | As incurred               | Training conference will be held at a location designated by us. Attendance is required for all Master Trainers.                                                                                                                                                                                                                                                                                                                                              |
| Relocation Fee             | 30% of then-current initial franchise fee                                                     | Before relocation         | You may only relocate your Studio with our approval. If we allow you to relocate your Studio, this relocation will be at your own expense and you must pay us a fee for the services we provide. (See Item 12)                                                                                                                                                                                                                                                |

| <b>Name of Fee <sup>1,2</sup></b>             | <b>Amount</b>                                                                                                                                                                                 | <b>Due Date</b>                                       | <b>Remarks</b>                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                                         | Amount of understated amounts due plus interest If you fail to furnish required information or understate Gross Sales <sup>4</sup> by more than 3%, amount of audit fees and related expenses | Within 15 days after receiving the examination report |                                                                                                                                                                                                                                                                                                          |
| Interest                                      | Lesser of 1 5% per month or highest commercial contract interest rate allowed by law                                                                                                          | As incurred                                           | Due on all overdue amounts and accruing as of the original due date                                                                                                                                                                                                                                      |
| Insufficient Funds                            | \$100                                                                                                                                                                                         | As incurred                                           | Due each time we attempt to debit your business account and we receive a notice of insufficient funds                                                                                                                                                                                                    |
| Marketing Compliance                          | Direct costs, including third-party service fees                                                                                                                                              | As incurred                                           | If you are found not complying with marketing requirements, you will incur a \$50 fee after your first 2 strikes You will incur a \$50 fee for each additional strike after your initial 2 Please note that these strikes do not reset, and they continue throughout the Term of your franchise          |
| Individual Marketing or Advertising Materials | Will vary based on the time taken to create all requested materials                                                                                                                           | As incurred                                           | If you request any marketing or advertising materials for a specific event or promotion at your Studio that cannot be replicated for the entire franchise system, you will be charged a marketing and advertising fee, which will be based on the amount of time taken to create all requested materials |
| Maintenance and Refurbishing of Studio        | You must reimburse our expenses                                                                                                                                                               | As incurred                                           | If, after we notify you, you do not undertake efforts to correct deficiencies in your Studio's appearance, then we can undertake the repairs and you must reimburse our costs                                                                                                                            |

| <b>Name of Fee <sup>1, 2</sup></b> | <b>Amount</b>                                                                                                    | <b>Due Date</b> | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance                          | You must reimburse our costs, plus a reasonable fee for our time incurred                                        | When billed     | If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Indemnification                    | Will vary under circumstances                                                                                    | As incurred     | You must reimburse us and our affiliates if any of us are held liable for claims related to your Studio's operations or the Franchise Agreement                                                                                                                                                                                                                                                                                                                                                                                                              |
| Costs and Attorney's Fees          | Will vary under circumstances                                                                                    | As incurred     | If we prevail in an action or proceeding, you must pay us our costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Management Fee                     | \$1,000 per day (plus costs and expenses)                                                                        | As incurred     | Due when we (or a third party) manage your Studio after your default or abandonment                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Mystery Testing/inspection         | Will vary under the circumstances, but we estimate the cost of each test or inspection to be approximately \$250 | As incurred     | We may contract with third parties to conduct mystery shopper testing and other quality assurance inspections at your Studio. You must pay the cost of the tests/inspections, but you will not be obligated to pay for more than two (2) third-party contracted mystery shopper visits per calendar year. These tests/inspections typically will have third party mystery shoppers pose as normal customers and perform specific tasks (such as make a purchase, ask questions, or seek customer service) and evaluate the services received at your Studio. |

| Name of Fee <sup>1, 2</sup>                    | Amount                                                                          | Due Date    | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------|---------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Daily Deal or Alternate Reservation System Fee | 7% of amount collected from Daily Deal or Alternative Reservation System vendor |             | <p>You will pay us 7% of the total amount you receive (and not the purchasing value) from daily deals such as Groupon or Gilt City and/or alternate reservation systems outside of our point-of-sale system MindBody (such as ClassPass)</p> <p>For your convenience, you may choose to send us confirmation of the amounts collected by you from daily deals and/or an alternate reservation system on a monthly basis and have OnePoint charge this amount from your bank account, along with your Royalty</p>                                                                                                                                                                                                                                                                        |
| Additional Remedies                            | Will vary under the circumstances                                               | As incurred | <p>If your Franchise Agreement is terminated by you without cause or by us, you will pay us liquidated damages equal to the net present value of the balance of your Royalties and Marketing Fund Contributions from the date of termination until the scheduled expiration date of your Franchise Agreement (these Royalties and Marketing Fund Contributions to be based on the average monthly amounts during the preceding 12 calendar months times the number of months remaining in the term of this Agreement, or if you have operating your Studio for less than 12 calendar months as of the termination date, to be based on the average monthly amounts during the months in which you were open multiplied by number of months remaining in the term of this Agreement)</p> |

### **Explanatory Notes**

- 1 Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are not refundable and are uniform to all franchisees. We may change the amount of the Marketing Fund Contribution, Local Advertising Expenditure and the Local Advertising Cooperative



contribution in accordance with the Maximum Advertising Expenditure (defined in Item 11)

- 2 You must pay the Royalty, the Marketing Fund Contribution and other amounts due under the Franchise Agreement through OnePoint. We also reserve the right to require you participate in an electronic funds transfer system that allows us to debit a business account you designate for all amounts you owe us on their due dates or the next business day if the due date is a national holiday or a weekend day. In this event, you must ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may require payment other than through OnePoint at any time, and you must comply with our payment instructions.
- 3 If we cease to have access to your Gross Sales (defined below) via the Computer System (defined in Item 11) and you fail to report your Studio's Gross Sales when due, then for each payment calculated based on Gross Sales, we may debit your business account 110% of the average of the last 3 applicable payments we debited. If the amount we debit is more than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account on the next payment due date. "Gross Sales" means all revenue that you receive, directly or indirectly, from operating your Studio (including Pre-Opening Membership Sales, as defined in Item 7), including all amounts or other consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Gross Sales will also include amounts you earn from the sale of any online group-bought deals (e.g., Groupon or LivingSocial) and the sale of any gift cards or gift certificates, calculated using our then current guidelines, which may be based on the redeemed value or sale price of the deals, cards or certificates. Gross Sales does not, however, include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority. We will require that you provide your profit and loss statements to us on a monthly basis for our review in a manner that we prescribe.
- 4 The combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative contribution will not exceed 3% of your Studio's Gross Sales ("Maximum Advertising Expenditure"). However, we may, upon 60 days' prior written notice to you, change the required Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative contribution. No change may, however, result in a combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative contribution greater than the Maximum Advertising Expenditure.

- 5 You must pay all travel and living expenses (including wages, transportation, food, lodging and workers' compensation) incurred by you (or your Operating Partner), your Master Trainer, or any of your employees or instructors during all training courses and programs. You must also pay all travel and living expenses (including transportation, food, and lodging) incurred by any of our trainers or staff we send to your Studio to provide training courses or programs.
- 6 The highest interest rate allowed in California is 10% annually.

### **Item 7**

#### **ESTIMATED INITIAL INVESTMENT**

| <b>Type of expenditure</b>                                                                                    | <b>Amount<sup>1</sup></b> | <b>Method of payment<sup>2</sup></b> | <b>When due</b>                   | <b>To whom payment is to be made</b> |
|---------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Initial Franchise Fee <sup>3</sup>                                                                            | \$49,500-\$152,500        | Lump sum                             | At signing of Franchise Agreement | Us                                   |
| Training Fee <sup>4</sup>                                                                                     | \$10,000                  | Lump Sum                             | As incurred                       | Us                                   |
| Initial Interior Build-Out (including soundproofing) <sup>5</sup>                                             | \$60,000 - \$120,000      | As incurred                          | Before you open your Studio       | Third-Party Suppliers                |
| Interior and Exterior Signage <sup>6</sup>                                                                    | \$8,000 – \$13,000        | As incurred                          | Before you open your Studio       | Third-Party Suppliers                |
| Millwork (front desk and vanity) <sup>7</sup>                                                                 | \$10,000 - \$15,000       | As incurred                          | Before you open your Studio       | Third-Party Suppliers                |
| Furniture, Fixtures, and Equipment (lockers, benches, barre, flooring, aesthetics, mirrors, etc) <sup>8</sup> | \$25,000 - \$50,000       | As incurred                          | Before you open your Studio       | Third-Parties                        |
| Utilities <sup>9</sup>                                                                                        | \$500-\$1,000             | As incurred                          | As incurred                       | Third Parties                        |
| Computer Equipment and Office Supplies <sup>10</sup>                                                          | \$5,000 – \$7,000         | As incurred                          | Before you open your Studio       | Third-Party Suppliers                |
| Sound System and Equipment <sup>11</sup>                                                                      | \$5,000 - \$10,000        | As incurred                          | Before you open your Studio       | Third-Party Suppliers                |

| Type of expenditure                                            | Amount <sup>1</sup>                                                    | Method of payment <sup>2</sup> | When due                                                            | To whom payment is to be made |
|----------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------|-------------------------------|
| Initial Inventory of Retail Merchandise <sup>12</sup>          | \$1,000 – \$2,500                                                      | As incurred                    | Before you open your Studio                                         | Third-Party Suppliers         |
| Business Licenses and Permits <sup>13</sup>                    | \$2,000-\$7,000                                                        | As incurred                    | Before you open your Studio                                         | Third-Party Authorities       |
| Floor Planning (AES + Construction Documents) <sup>14</sup>    | \$7,000 - \$10,000                                                     | As incurred                    | Before you open your Studio                                         | Third-Parties                 |
| Professional Fees (Legal/accounting) <sup>15</sup>             | \$8,000 – \$10,000                                                     | As incurred                    | As incurred                                                         | Third Parties                 |
| Insurance <sup>16</sup>                                        | \$2,500 – \$3,000                                                      | As incurred                    | Before you open your Studio                                         | Insurance Companies           |
| Training Living and Travel Expenses <sup>17</sup>              | \$5,500 - \$7,000                                                      | As incurred                    | Before you open your Studio                                         | Third-Party Suppliers         |
| Pre-Opening Advertising <sup>18</sup>                          | \$3,500 - \$7,000                                                      | As incurred                    | Before you open your Studio and for 6 weeks after your Studio opens | Third Parties                 |
| Rent and Lease Deposit <sup>19</sup>                           | \$10,000 - \$26,000<br>(Both include 1 months rent + security deposit) | As incurred                    | As incurred                                                         | Landlord                      |
| Additional Funds / Operating Expenses - 3 months <sup>20</sup> | \$10,000-\$15,000                                                      | As incurred                    | As incurred                                                         | Third Parties                 |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>21</sup></b>         | <b>\$ 222,500 – \$515,000</b>                                          |                                |                                                                     |                               |

### Explanatory Notes

1 The amount is broken into a low end and a high end for both a one or two room studio concept. The differentiation in range depends on the market, local third party pricing, and willingness of landlord contribution.

2 Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid pursuant to the terms of your agreement with these respective third parties.

3 As noted in Item 5, the initial franchise fee for a single Studio concept \$49,500. Please note, however, that if you are interested in executing a Multi-Unit Agreement, your initial franchise fee for a 3 or 5 Studio concept is a non-refundable \$108,500 or \$152,500, respectively.

4 As noted in Item 5, the initial training fee is \$10,000.

5 Initial interior build-out cost includes electrical, flooring, plumbing, demolition, cooling/heating systems and other costs associated with initial leasehold improvement. Depending on the terms you negotiate with your landlord, the landlord may contribute to your interior build-out and your costs will vary based on the level of contribution of the landlord. The cost of your initial interior build-out will also depend on the brands purchased and other factors.

6 Interior and exterior signage estimate includes all mandatory signage and optional "add-ons." The cost of installation, local permitting, and shipping of signage are not included in this figure.

7 The millwork includes the front desk, equipment station, and vanity area(s). The figures in the table reflect the purchase of new furniture, fixtures and equipment since we anticipate that you will be purchasing new equipment for your Studio. The cost of installation and shipping of the furniture, fixtures and equipment are not included in this figure.

8 The furniture, fixtures, and equipment include the barres, mirrors, benches, lockers, props, prop station, LED lighting, retail display system, flooring, and any other cosmetic or aesthetic inventory that contributes to bringing the Studio up to The Barre Code standards. The figures in the table reflect the purchase of new furniture, fixtures and equipment since we anticipate that you will be purchasing new equipment for your Studio. The cost of installation and shipping of the furniture, fixtures and equipment are not included in this figure.

9 Utilities include gas service, electric service and other utilities as you might need to operate your Studio. Utility companies may also require you to place a deposit before installing telephone, gas, electricity and related utility services. These deposits may be refundable in accordance with the agreements made with the utility companies and have not been included in our estimate.

10 The computer equipment and office supplies necessary for the operation of your Studio includes computers, software, telephones, printers, cash registers, scan tags, filing cabinets, pens, paper, and other types of computer equipment, source equipment and office supplies. The cost of equipment and supplies will depend on the brands purchased and other factors.

11 The sound system for the operation of your Studio includes the sound system itself, speakers, iPads, microphones, remote controls, and other sound equipment that may be necessary.

for the operation of your Studio. The cost of installation will vary, but it is included in the range estimated above.

12 Initial inventory of retail merchandise consists of various branded fitness equipment, branded apparel, beverages and other merchandise or products sold by the Studio. The cost of your initial inventory of retail merchandise will depend on the brands purchased and other factors.

13 You must obtain state and local licenses and business licenses. You may have to post bonds in order to obtain certain governmental permits.

14 The floor planning, which is done through a third party firm, Architectural Environments Studio ("AES"), creates the floor plan/test fit for your Studio. This includes the initial floor plan with up to three layout options and up to three revisions for the selected option. AES also creates the schematic design plans for your selected location. This includes the title sheet, demolition plan, construction plan, reflected ceiling plan, elevations, details, sections (as required), room finishes, and door schedules. Construction and MEP documentation will need to be performed by a local architectural firm. The construction and permit plans for structural work may be required for permitting. State and local requirements all vary depending on location.

15 This includes fees for legal (e.g. franchise documentation review) and start-up costs associated with the franchisee's new corporate entity.

16 You must obtain and maintain certain types and amounts of insurance. (See Item 8) Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. The estimates contemplate an annual installment. These estimates also include an allocation of the premium you must pay in connection with the workers' compensation insurance you are required to obtain for your employees. However, workers' compensation insurance will vary from state to state. You should review the rates in the state in which you are opening your Studio for an estimate of the premium you will be required to pay.

17 This includes transportation, food, lodging, and other expenses that you (or your Operating Partner), your Master Trainer, and, if required, any employee or instructor, incur in attending the Owner Training (defined in Item 11). This figure also includes the transportation, food, lodging and other expenses incurred by our trainers and staff in travelling to your Studio to provide Instructor Training (defined in Item 11). These expenses may vary based on the distance travelled and the standard of living your attendees desire while attending the initial training program. You will also be responsible for the transportation, food, and lodging required for our training team to come to your Studio for both the Bootcamp Weekend during week one and continued training during week 5 (See Item 11). Other than the Owner Training and Instructor Training, for which there is no fee for you (or your Operating Partner), your Master Trainer and up to four additional persons, our training fee is currently \$1,000 per day (for an 8 hour day) or

\$300 per hour, plus expenses. In the event that you (or your Operating Partner), your Master Trainer, or, if required by us, any employees or instructors, fail to satisfactorily complete the initial training program, we may require this individual to attend additional training and we will charge you a training fee (currently \$1,000 per day, or \$300 per hour), plus expenses. (See Item 11)

18 The Franchise Agreement requires you to spend a minimum of \$5,000 as your Grand Opening Expenditure (as defined in Item 11) during the Grand Opening Period (as defined in Item 11). You must also conduct an advertising program we approve before you begin offering or selling Memberships prior to opening your Studio ("Pre-Opening Membership Sales"). We estimate that you may, depending on the mediums chosen by you, spend up to \$10,000 on advertising prior to opening your Studio, which amounts count towards your Grand Opening Expenditure. (See Items 6 and 11)

19 The cost of acquiring or leasing a location for your Studio will vary significantly depending upon the market in which the proposed site is located. A suitable building for a free standing Studio will range in size from approximately 1,600 square feet to 2,800 square feet and will likely cost from \$60,000 to \$96,000 per year. Local market conditions, changes in the economy and inflation will all contribute to your real property costs. The location of the parcel of real property, its relationship to and the nature of any adjoining uses, and its accessibility will affect both its size and price. Lease agreements vary but usually require the lessee to pay for maintenance, insurance, taxes and any other charges or expenses for the land and building and the operation of the Studio or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest) made for the lessee and pay minimum monthly rent and/or percentage rent. The lease estimate in the table above is for a 3-month period, and includes a one-month rent deposit, which we estimate will range from \$4,000 to \$7,000. The rent deposit may be refundable under the terms of the lease. We must approve your lease. (See Item 11)

20 This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Studio's first 3 months of operation, including miscellaneous supplies and equipment, payroll costs (but not any draw or salary for you (or your Operating Partner)) and other miscellaneous costs. This figure is an estimate, and we cannot guarantee that you will not have additional expenses starting your Studio. Your costs depend on how closely you follow our methods and procedures, your management and sales skills and experience and business acumen, local economic conditions, the local market for advertisements, the prevailing wage rate, and the employment levels reached during the initial period.

21 The estimated initial investment figures shown above for constructing and opening a Studio are based primarily on the costs incurred by our affiliates in opening 7 Company Studios. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

## **Item 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Standards and Specifications**

You must comply with the standards, specifications, operating procedures, and rules that we periodically prescribe for operating a Studio ("System Standards") in the Franchise Agreement and in our operations manual (the "Operations Manual"), which may include one or more separate electronic manuals and handbooks, as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, bulletins and/or other written materials. We may modify the Operations Manual periodically to reflect changes in System Standards. System Standards may regulate, among other things, insurance policies, participation in marketing research, reporting requirements, products and services your Studio must offer for sale, including all fitness classes specified by us as part of the Franchise System (the "Curriculum"), unauthorized and prohibited products and services, equipment and inventory requirements, listings of designated and approved suppliers, and other items.

We have developed or may develop standards and specifications for types, models and brands of required fixtures, furniture, equipment, components of the Computer System (defined in Item 11), furnishings, and signs (collectively, the "Operating Assets"), and other products, materials, supplies and services to be provided at the Studio. We may approve specifications or manufacturers, suppliers and distributors of the above products that meet our reasonable standards and requirements. If we do so, you agree to purchase only these products meeting those specifications, and if we require it, only from distributors and other suppliers we have approved, including ourselves or our affiliates.

#### **Memberships**

All memberships or other rights of access to your Studio ("Memberships") must be controlled by a written agreement (a "Membership Agreement") entered into through our current point-of-sale system, which cannot extend for a term that is longer than the term of the Franchise Agreement. All Membership Agreements used to sell Memberships must be approved by us and cannot be modified without our prior written consent. You may only sell Memberships in strict compliance with System Standards and the terms of the Franchise Agreement. It is your responsibility to determine that you are complying with all laws and regulations applicable to your Studio or your sale of Memberships.

We reserve the right to assign Memberships to you and you will be required to accept and honor these Memberships. We further reserve the right to establish a reciprocity program between your Studio and other Studios and you must comply with any requirements of this program.

We may contact any member of your Studio, address the complaints of any member of your Studio, and seek reimbursement from you for any amounts we refund to any of your members. You agree that we own all information relating to members, such as member names, addresses, telephone numbers, email addresses, buying habits, preferences, demographic information and related information ("Membership Information")

### **Designated and Approved Suppliers**

As discussed above, we may require you to purchase or lease brands, types, or models of products, services, supplies, Operating Assets, or other items only from suppliers we designate or approve. If we designate these products and services are to be purchased through approved and/or designated third party suppliers, then you shall purchase these products and services only from these suppliers pursuant to the terms and in the manner approved by us or our affiliates. Our affiliates or we may be a designated or approved supplier or distributor, or otherwise be a party to these transactions. We may concentrate purchases with one or more manufacturers, distributors, or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Studios franchised or operated by us or our affiliates.

Approval of a product or supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. We will not issue to you or any of our approved suppliers (except as we deem necessary for purposes of production) these standards and specifications.

If you would like to purchase any products, services, Operating Assets or materials from a supplier that we have not yet approved (for products, services, Operating Assets or materials that we require you to purchase from designated or approved suppliers), you must submit to us a written request for approval of the proposed product and/or supplier before using or purchasing any item. We may charge you a fee (which will not exceed the reasonable cost of the research and inspection and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within 60 days, your request will be deemed denied. We may elect to withhold approval of the supplier. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if we already have designated an exclusive supplier for the item proposed to be offered by the new supplier. We may periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also may charge suppliers a royalty for the right to manufacture products for use in the Studios.

Currently, you must purchase (i) all of your studio fixtures and brand standard items (including flooring, mirrors, lighting, barres, props, and millwork) from our designated or



approved suppliers, (ii) interior and exterior signage from our preferred signage vendor, (iii) sound system from our preferred sound system vendor, and (iv) order retail from our approved or preferred vendors. We may require you to use designated or approved suppliers for other goods and services in the future or to designate an exclusive supplier for additional items in the future. Neither we, nor any of our affiliates are currently an approved or designated supplier, but we reserve the right to be so in the future.

## **Insurance**

In addition to the purchases or leases described above, you must also obtain and maintain, at your own expense and from carriers who maintain a Best's Financial Strength rating of "A-/VIII" or above, the minimum insurance coverage that we periodically require under the Operations Manual, including comprehensive public liability, general liability, personal injury liability, motor vehicle liability, property, product liability, workmen's compensation, commercial liability umbrella and other types of insurance, including the types and minimum amounts of insurance specific to workout or fitness studios. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Studio's operation or activities of your personnel in the course of their employment. We may require that you obtain all or a portion of your insurance policies from a designated supplier. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Each insurance policy must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us before the cancellation or material change of the policy. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. Please note that per state or local requirements, you may be required to purchase insurance coverage that goes above and beyond what we require. It is solely your responsibility to perform your due diligence in researching and maintaining all required insurance coverage.

Below are minimum coverage amounts for each type of insurance we require for your Studio:

| Coverage Types                | Required Limits of Coverage                         |
|-------------------------------|-----------------------------------------------------|
| General Liability             | \$3 million aggregate<br>\$1 million per occurrence |
| Medical Expenses              | \$10,000 per person per occurrence                  |
| Personal & Advertising Injury | \$1 million per occurrence                          |

|                                 |                                                                                                                 |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Products / Completed Operations | \$3 million aggregate                                                                                           |
| Vehicles (owned and non-owned)  | \$1 million per occurrence for any vehicles that might be used in the business                                  |
| Business Property               | At replacement cost                                                                                             |
| Damage to Rented Premises       | \$100,000                                                                                                       |
| Business Interruption           | \$300,000 or insurance to cover 12 months loss of income                                                        |
| Umbrella Liability              | \$1 million minimum coverage                                                                                    |
| Money and Securities            | \$5,000 per occurrence inside                                                                                   |
| Workman's Compensation          | \$500,000 each accident, \$100,000 each disease, \$1 million policy limit (or higher limits if required by law) |
| Other Insurances                | As required by local, state or federal laws, or by the landlord                                                 |

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent approximately 95% of your total purchases to establish your Studio and up to 95% of your total purchases to operate your Studio

### **Purchase Agreements, Material Benefits and Revenue**

We have not negotiated any purchase arrangements with manufacturers and suppliers (including price terms) for the benefit of franchisees but we may do so in the future. We and/or our affiliates do not currently but may in the future derive revenue based on your purchases and leases (including from charging you for goods or services we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve for some or all of our franchisees). We did not derive revenue or other material consideration from required purchases, supplier rebates or franchisee leases in our last fiscal year, but we may do so in the future. We do not provide material benefits to franchisees for purchasing particular products or services or using designated or approved suppliers. We also may establish purchasing programs with certain suppliers for supplies, equipment, and other materials. As of the issuance date of this Disclosure Document, there are no purchasing or distribution cooperatives for Studios.

As of the issuance date of this Disclosure Document, none of our officers own any interest in any of the approved suppliers.

## Item 9

### **FRANCHISEE'S OBLIGATIONS**

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

| <b>Obligation</b>                                            | <b>Section<br/>in Franchise Agreement</b>                                                              | <b>Disclosure<br/>Document Item</b> |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------|
| (a) Site selection and acquisition/lease                     | Sections 2A and 2B of Franchise Agreement, Section 2 of Multi-Unit Agreement                           | Item 11                             |
| (b) Site development and other pre-opening requirements      | Section 2 of Franchise Agreement, Section 2 of Multi-Unit Agreement                                    | Items 7, 8, and 11                  |
| (c) Initial and ongoing training                             | Sections 4A and 4B of Franchise Agreement, Section 4 of Multi-Unit Agreement                           | Items 6, 7, and 11                  |
| (d) Opening                                                  | Section 2F of Franchise Agreement, not applicable in Multi-Unit Agreement                              | Item 11                             |
| (e) Fees                                                     | Sections 3A, 3B, 3C, 3D, 3E, 9A, 13A and 14C of Franchise Agreement, Section 3 of Multi-Unit Agreement | Items 5, 6, and 7                   |
| (f) Compliance with standards and policies/Operations Manual | Sections 4D and 8 of Franchise Agreement, not applicable in Multi-Unit Agreement                       | Items 8 and 11                      |
| (g) Trademarks and proprietary information                   | Sections 5 and 6 of Franchise Agreement, Section 5 and 6 of Multi-Unit Agreement                       | Items 13 and 14                     |
| (h) Restrictions on products/services offered                | Sections 8B, 8C and 8H of Franchise Agreement, not applicable in Multi-Unit Agreement                  | Items 8, 11, 12, and 16             |
| (i) Warranty and customer service requirements               | Section 8E of Franchise Agreement, not applicable in Multi-Unit Agreement                              | Item 11                             |
| (j) Territorial development                                  | Exhibit B of Multi-Unit Agreement                                                                      | Attached as Exhibit C               |
| (k) On-going product/service purchases                       | Sections 8B and 8D of Franchise Agreement, not applicable in Multi-Unit Agreement                      | Items 6 and 8                       |

| <b>Obligation</b>                                       | <b>Section<br/>in Franchise Agreement</b>                                                       | <b>Disclosure<br/>Document Item</b> |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------|
| (l) Maintenance, appearance and remodeling requirements | Section 8A of Franchise Agreement, not applicable in Multi-Unit Agreement                       | Items 6, 8, 11 and 17               |
| (m) Insurance                                           | Section 8G of Franchise Agreement, not applicable in Multi-Unit Agreement                       | Items 7 and 8                       |
| (n) Advertising                                         | Section 9 of Franchise Agreement, not applicable in Multi-Unit Agreement                        | Items 6, 7, 8, and 11               |
| (o) Indemnification                                     | Section 16D of Franchise Agreement, Section 11D of Multi-Unit Agreement                         | Item 6                              |
| (p) Owner's participation/management/staffing           | Sections 1C and 8E of Franchise Agreement, not applicable in Multi-Unit Agreement               | Items 11 and 15                     |
| (q) Records and reports                                 | Section 10 of Franchise Agreement, Section 8 of Multi-Unit Agreement                            | Item 6                              |
| (r) Inspections and audits                              | Section 11 of Franchise Agreement, not applicable in Multi-Unit Agreement                       | Items 6 and 11                      |
| (s) Transfer                                            | Section 12 of Franchise Agreement, Section 9 of Multi-Unit Agreement                            | Item 17                             |
| (t) Renewal                                             | Section 13 of Franchise Agreement, not applicable in Multi-Unit Agreement                       | Item 17                             |
| (u) Post-termination/expiration obligations             | Section 15 of Franchise Agreement, Section 10 of Multi-Unit Agreement                           | Item 17                             |
| (v) Non-competition covenants                           | Sections 7, 15E and 15F of Franchise Agreement, Sections 7, 10I and 10J of Multi-Unit Agreement | Item 17                             |
| (w) Dispute resolution                                  | Section 17 of Franchise Agreement, Section 12 of Multi-Unit Agreement                           | Item 17                             |

### **Item 10**

## **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases or other obligations.

## **Item 11**

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

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

#### **Assistance to Begin Operation of Your Studio**

Before you open your Studio, we (or our designees) will

- 1 Review and either approve or disapprove the proposed site for the Studio (Manual and Franchise Agreement – Section 2A)
- 2 Review and either approve or disapprove a lease for the Studio (Franchise Agreement – Section 2B)
- 3 Provide you mandatory and suggested specifications for your Studio, including requirements for dimensions, design, image, interior layout, decor, Operating Assets, color scheme, and interior decorating services and provide you confirmation in writing that your Studio meets our standards and specifications (Manual and Franchise Agreement – Sections 2C and 2F)
- 4 Approve development and construction plans and specifications for your Studio before you begin constructing your Studio and any revisions of plans or specifications before these revisions are implemented (Manual and Franchise Agreement – Section 2C)
- 5 Identify the Operating Assets, including the Computer System (see Item 11), and other products, and supplies that you must obtain and use to develop and operate your Studio, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items (Manual and Franchise Agreement – Sections 2D, 2E, and 8)
- 6 Provide Owner Training (as defined below) to you (or your Operating Partner) and your Master Trainer at our corporate headquarters (or another designated facility of our choice) (Franchise Agreement – Sections 4A and 4B)
- 7 Provide Instructor Training (as defined below) to your Master Trainer and up to 5 additional persons at your Studio (Franchise Agreement – Sections 4A and 4B)
- 8 Provide you a copy of the Operations Manual (defined in Item 8) that can also be found on our cloud-based server system
- 9 We will assist you in planning the pre-opening and grand opening marketing program for your Studio, which will include parameters that must be met before you obtain our approval to open your Barre Code Studio, including obtaining a minimum of pre-opening

membership sales that will be determined by you and us based on various factors relating to your market requirements (Franchise Agreement – Section 2F, 2G and 9A)

### **Site Selection**

You must obtain and maintain a site acceptable to us for your Studio. If a site for your Studio has not been selected by the date you sign the Franchise Agreement, you must submit to us a complete report for a site you propose for your Studio. We will use reasonable efforts to accept or not accept a proposed site within 30 days after receiving your site report. Our determination to approve or disapprove a site may be based on various criteria, which we may change in our discretion. You must send us all information we require for the proposed site. We do not typically own the site where your Studio is located and lease it to you.

You must obtain our written approval of a proposed site for your Studio before signing any lease, sublease, or other document for the site. We may require that you hire a service-provider that we designate to assist you with the site selection process. Sites selected using the assistance of our designee must still be approved by us. We must also approve the lease for your site. Our approval of a lease is conditioned upon the inclusion of certain lease terms required by us pursuant to a form of lease addendum attached as Exhibit E to the Franchise Agreement. These lease terms shall include a collateral assignment of lease.

If you have not received our approval of your Studio's proposed site and lease within 180 days after signing the Franchise Agreement, we may terminate the Franchise Agreement upon notice to you.

### **Opening Requirements**

We estimate that you will begin operating your Studio at the Premises within 180 to 270 days of receiving lease approval, depending on when you complete the necessary training, develop the Premises, meet our standards and specifications, acquire the required insurance policies, meet all regulatory requirements, obtain all required permits, and obtain the required Operating Assets, including the Computer System and other supplies. We may terminate the Franchise Agreement and retain your initial franchise fee payment if you fail to open your Studio for full use by customers within either (i) 180 days of receiving lease approval or (ii) 270 days of signing the Franchise Agreement, whichever is sooner (Franchise Agreement – Section 2G).

### **Assistance During the Operation of Your Studio**

During your operation of your Studio, we (or our designees) will

- 1 Provide you additional training (Franchise Agreement – Section 4A)
- 2 Certify (and re-certify, as required) all of your instructors using our then-current criteria (Franchise Agreement – Section 4A)

- 3 Advise you regarding your Studio's operation based on your reports or our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Studios use, including (1) standards, specifications, and operating procedures and methods that Studios use, including facility appearance, guest service procedures, and quality control, (2) equipment and facility maintenance, (3) inventory management and working with national suppliers, (4) advertising, marketing and branding strategies, (5) hiring, compliance with employment laws, and staff performance reviews, and (6) administrative, accounting, reporting and record retention (Manual Franchise Agreement – Section 4C)
- 4 Continue to provide to you and update the electronic copy of the Operations Manual (Franchise Agreement – Sections 4D)
- 5 Let you use our Marks and certain copyrighted and copyrightable materials (Franchise Agreement – Section 5) (See Item 13)
- 6 Maintain and administer a Marketing Fund (defined below). The Marketing Fund will periodically provide you samples of advertising, marketing, and promotional formats and materials that we may develop at no cost (Franchise Agreement – Section 9D)

### **Operations Manual**

The current table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit E. Our Operations Manual currently has 54 pages. We may modify the Operations Manual periodically to reflect changes in System Standards.

### **Marketing and Promotion**

**Pre-Opening Marketing** You are required to spend a minimum of \$5,000 for a grand opening marketing program for your Studio ("Grand Opening Expenditure") during the period beginning 8 weeks before your Studio opens and ending 8 weeks after your Studio opens (the "Grand Opening Period"). You agree to comply with our guidelines for this grand opening marketing program and conduct the grand opening marketing program in accordance with our specifications and standards and pursuant to a grand opening marketing plan which you will prepare and submit to us for approval at least sixty (60) days prior to your Opening Date. [X Sales]

All advertisements and marketing materials used in the grand opening marketing program or the pre-sale advertising program must be approved by us. We may also require you to use the advertising, marketing and/or public relations programs, firms, media and materials we approve for your pre-sale advertising program and/or your grand opening advertising program.

**National Marketing Fund** We may maintain and administer a national advertising and marketing fund (the "Marketing Fund"). We intend for the Marketing Fund to promote the Marks, patronage of Studios and the "The Baire Code" brand generally. If we implement a

Marketing Fund, you must contribute to the Marketing Fund in an amount equal to 1% of your Studio's weekly Gross Sales ("Marketing Fund Contribution"), subject to our right to change the Marketing Fund Contribution in accordance with the Maximum Advertising Expenditure (defined below). The Marketing Fund Contribution is payable in the same manner as the Royalty. (See Item 6) Studios owned by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchisees. Of the monies spent by the Marketing Fund in fiscal year 2017, 40% was for brand material production, 30% was spent on national brand partnerships and promotions, 7% was spent on administrative expenses and 23% was spent on national media relationships. Of these amounts, 0% of the total expenditure was spent principally to solicit new franchise sales.

We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for producing video, audio, written materials and other electronic media, developing, implementing, and maintaining the Franchise System Website (defined below) or related websites that promote Studios and/or related strategies, administering regional and multi-regional marketing and advertising programs (including purchasing trade journal, direct mail, and other media advertising), developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices, administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns), using advertising, promotion, and marketing agencies and other advisors to provide assistance, and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Marketing Fund may advertise locally, regionally, and/or nationally in printed materials, on radio, and/or on the Internet, whichever we think best.

The Marketing Fund will periodically give you samples of advertising, marketing, and promotional formats and materials for national or franchise system wide events at no cost.

The purpose of the Marketing Fund is to maximize recognition of the applicable Marks and patronage of Studios. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place these materials that will benefit all Studios, we cannot ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area or that any contributor benefits directly or in proportion to its Marketing Fund Contribution from the development of advertising and marketing materials or the placement of advertising.

We will account for the Marketing Fund separately from our other funds. We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to



administering or directing the Marketing Fund and its programs, including research, public relations, preparing materials, and collecting and accounting for Marketing Fund Contributions

The Marketing Fund is neither our asset nor a trust. We have an obligation to hold all Marketing Fund Contributions for the benefit of the contributors and to use Marketing Fund Contributions only for their permitted purposes described above. We have no fiduciary obligation to you for administering the Marketing Fund. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use interest earned on Marketing Fund Contributions to pay costs before spending the Marketing Fund's other assets. Any funds remaining in the Marketing Fund at the end of the year will roll over to the next year. We will not use Marketing Fund Contributions for advertising that principally is a solicitation for the sale of franchises.

We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity when we think appropriate. Our successor entity will have all of the rights and duties described here.

We may use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as otherwise disclosed, we assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce the Marketing Fund Contribution and, upon 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to franchise owners, and to us and any of our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding 12-month period. (Franchise Agreement – Section 9D)

Local Advertising In addition to your Marketing Fund Contributions, you must spend at least the greater of \$500 or 1% of your Studio's monthly Gross Sales per month to advertise and promote your Studio (including the costs of online directory advertising) (the "Local Advertising Expenditure"), subject to the Maximum Advertising Expenditure. Upon our request, you must send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months. We may, upon 60 days' notice, issue you a notice that all or part of the Local Advertising Expenditure shall, instead, be paid to us or our designee. If we exercise this option, we will contribute the collected amount to the Marketing Fund. However, we may also elect, on one or more occasions, to temporarily or permanently cease collecting all or part of the Local Advertising Expenditure and instead require you to spend the portion of the Local Advertising Expenditure not collected.

Your local advertising and promotions must follow our guidelines. All advertising and promotional materials developed for your Studio must contain notices of our Franchise System Website's domain name in the manner we designate. All advertising, promotion and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethics and our advertising and marketing policies.

We have provided you with a supply of digital images, templates, and videos that we have developed for advertising, marketing and promotional materials. We may also decide to provide you modified or additional templates that you have requested. If we provide you any additional or modified templates that you have requested, we may charge you the direct costs we incur in creating those templates, including any fees paid to third party service providers. You will bear all costs associated with producing, shipping, handling and storing marketing and advertising materials created using templates we have provided.

You must send us for approval samples of all partnership, advertising, promotional, and marketing materials, which we have not prepared or previously approved at least 14 days before you intend to use them. If we do not approve the materials within 7 days of our receipt of these materials, then they shall be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved in writing.

Local Advertising Cooperative. We, our affiliates, or our designees may establish a local advertising cooperative ("Local Advertising Cooperative") in geographical areas in which 2 or more Studios are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. These written documents will be available for participating franchisees to review. If we establish a Local Advertising Cooperative in your area, you will be required to participate and contribute your share to this cooperative program. The amount of the Local Advertising Cooperative contribution will be determined at the time the Local Advertising Cooperative is established, subject to our right to change the Local Advertising Cooperative contribution in accordance with the Maximum Advertising Expenditure. Local Advertising Cooperative contributions will be payable in the same manner as the Royalty. Studios owned by us or our affiliates in the United States will contribute to the appropriate Local Advertising Cooperative on the same percentage basis as franchisees.

We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign the Franchise Agreement, we have established a Local Advertising Cooperative for the geographic area in which your Studio is located, or if we establish a Local Advertising Cooperative in that area during the Franchise Agreement's term, you must sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

Each Studio contributing to the Local Advertising Cooperative's area will have 1 vote on matters involving the activities of the Local Advertising Cooperative. The Local Advertising

Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. We will assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. Subject to our approval, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. The Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for Studios in your area, purchasing direct mail and other media advertising for Studios in your area, implementing direct sales programs, and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for Studios in your area.

The monies collected by us for a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You must submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative requires. Each Local Advertising Cooperative must prepare financial statements annually, which will be subject to review by participating franchisees.

You understand and acknowledge that your Studio may not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for Studios will be developed separately and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative for and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Local Advertising Cooperative. (Franchise Agreement – Section 9E)

Maximum Advertising Expenditure The combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative contribution must not exceed 3% of your Studio's Gross Sales ("Maximum Advertising Expenditure"). However, upon 60 days notice, we may change the amount of the Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative contribution while any change does not result in a combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative contribution greater than the Maximum Advertising Expenditure.

Franchisee Advisory Council We do not have a franchisee advisory council that advises us on advertising policies, though we may establish such a council in the future.

Franchise System Website We have established a website ("Franchise System Website") to advertise, market, and promote Studios, the products and services that they offer and sell, and/or a Studio franchise opportunity. We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your Studio for informational purposes only. If we provide you with a webpage on the Franchise System Website, you must (i)

provide us the information and materials we request to develop, update, and modify your webpage, (ii) notify us whenever any information on your webpage is not accurate, and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in the Franchise System Website, including your webpage, and all information it contains (including the domain name or URL for your webpage, any website analytical data, and any personal or business data that visitors supply). We have the right to maintain websites other than the Franchise System Website.

We will maintain the Franchise System Website, and may use the Marketing Fund's assets to develop, maintain and update the Franchise System Website. We periodically may update and modify the Franchise System Website (including your webpage). We have final approval rights over all information on the Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to the Franchise System Website.

Even if we provide you a webpage on our Franchise System Website, we will only maintain this webpage while you are in full compliance with the Franchise Agreement and all System Standards we implement (including those relating to the Franchise System Website). If you are in default of any obligation under the Franchise Agreement or our System Standards, then we may temporarily remove your webpage from the Franchise System Website until you fully cure the default. We will permanently remove your webpage from the Franchise System Website upon the Franchise Agreement's expiration or termination.

All advertising, marketing, and promotional materials that you develop for your Studio must contain notices of the Franchise System Website's domain name in the manner we designate. Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website (other than the Franchise System Website), domain name, URL address, or other online presence or other electronic medium that mentions your Studio, links to the Franchise System Website or displays any of the Marks. If we approve the use of any website, other online presences or electronic mediums, including social networking websites (such as Facebook®, Instagram®, Twitter®, LinkedIn®, or YouTube®) in the operation of your Studio, or the posting of messages relating to your Studio on other websites, you will do so only in accordance with our guidelines. We may require our approval of any message you compose for a social networking Website or commentary for any other website before you post this message or commentary. (Franchise Agreement – Section 9G)

### **Computer System**

At least 8 weeks before your Studio opens, you must obtain and use the hardware, software and other products and services we specify periodically (the "Computer System").

Except as specified below, you may purchase the components of the Computer System that meet our specifications. The cost of the Computer System, along with high speed internet access inside your Studio, will vary depending on the additional software programs you desire.

and the physical layout of your Studio. Due to the various configurations of the Computer System, we estimate the cost of this system to range from \$5,000 to \$7,000.

You must also enter into a license agreement with MindBody, Inc. for use of certain software and hardware ("MindBody Bundle A"). The monthly license fee for MindBody Bundle A varies per month, depending on the license option selected, the number of instructors, and the number of users, which includes a warranty and maintenance and support services. The following hardware, software and equipment are included in MindBody Bundle A:

- Mindbody Software
- Cash Register
- Credit Card Swiper

In addition to the MindBody Bundle A, the Computer System also includes the hardware, software and equipment listed below:

- Desktop Computer
- Rack Power Filter
- Word Processing and Data Management software
- Large Printer with Scan/Fax/Copy capabilities (Optional)
- Additional scanner for self check-in (Optional)
- Surveillance and Security Cameras
- Installed Sound System, including Speakers and Remotes

Over the term of your franchise, we may modify the specifications for and components of the Computer System and you agree to implement our modifications within 90 days after you receive notice from us. We may require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. You must pay for any additional or replacement proprietary software or technology that we, our affiliates, or a third-party designee licenses to you and for other maintenance and support services that we, our affiliates or third-party designees provide during the Franchise Agreement's term. Although the future costs of the Computer System or required service or support might not be fully amortizable over the Franchise Agreement's remaining term, you shall incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service and support. We currently estimate the annual cost of maintenance, updating, upgrading and support for the Computer System to be \$1,000 to \$2,000.

The Computer System we designate will give us and our affiliates independent, unlimited access to all information relating to your Studio generated by the Computer System, including polling, price maintenance and payroll information. There are no contractual limitations on our and our affiliates' right to access this information and data. At our request, you must sign a release with your Mind Body System vendor and/or your Microsoft Office System vendor providing us with unlimited access to your data.

Ongoing Computer System Requirements You must obtain and use any Computer System components that we may later specify, and/or obtain service and support, as we require. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs.

## **Training**

### **Pre-opening and Ongoing Training**

Before your Studio opens, your Studio will need to have one person who is dedicated to executing your Studio's Founding Instructor Training ("FIT"). This person, which can be you (or your Operating Partner), will be trained and certified in The Barre Code's Performance Expectation, format offerings, and Training Standards. This person will be referred to as the Instructor Trainer ("IT") for your Studio. Such IT will need to be approved through The Barre Code HQ's Training Team by undergoing an audition and interview prior to being hired by you (or your Operating Partner).

The IT will need to have the skills necessary to be both an instructor, and an instructor trainer, as determined by The Barre Code HQ's Training Team and outlined in The Barre Code Instructor Trainer role description located on our web portal, The Core. If the IT is neither you nor your Operating Partner (if applicable), you will need to participate in the product-specific sections of the Trainer Training in order to gain a comprehensive understanding of The Barre Code's product and feedback standards to ensure ongoing product quality at your Studio.

The pre-opening training entails a Trainer Training for you (or your Operating Partner), and/or your IT and one (1) Founding Instructor Training Intensive ("FIT") for you (or your Operating Partner), your IT, and up to five (5) additional persons of your choosing. These individuals will make up your initial instructor team. There is no additional fee for the pre-opening training, but you are responsible for the costs associated with your IT and/or your (or your Operating Partner's) attendance and living expenses, and/or the HQ Training Team's attendance, including travel accommodations, living expenses, and per diem. We will work with you to determine the identity and composition of the persons consisting of your initial training team who will be conducting all portions of this pre-opening training program. We may deny or disapprove individuals from your initial training team at our sole discretion. Such discretion is based on aptitude, skill set, availability, attitude, and any other factors that we may determine from time to time.

### **Pre-opening Training Timeline Considerations**

We will vary the length and content of the entire training program based upon the experience and skill level of the individual(s) participating in the training program. We may also establish additional training requirements, which the attendees will be expected to meet within timelines established by the HQ Training Team, including study of provided materials, participating in mandatory exams, and any other factors we may determine from time to time, in order to successfully complete the training program.

As stated above, the duration of the Trainer Training process will vary based on (i) the IT's aptitude to teach The Barre Code's class formats in accordance with The Barre Code's Performance Expectations, and (ii) the IT's ability to swiftly and successfully complete the required training materials as assigned by the HQ Training Team

### Trainer Training

Before your Studio opens, the IT will undergo an intensive pre-opening Trainer Training program that covers (i) how to instruct The Barre Code's class formats, and (ii) how to lead The Barre Code's FIT process in accordance with The Barre Code's product and training standards. This Trainer Training process will combine independent study courses, remote training sessions with members of HQ's Training Team, and at a minimum, 1 trip to a training facility that we designate to train intensively with a certified Senior Master Trainer from HQ's Training Team.

Through the duration of Trainer Training, HQ's Training Team will provide the IT the necessary components in order to (i) instruct the Barre Code format and at least 1 cardio format in accordance with The Barre Code's Performance Expectations, (ii) plan a FIT as outlined in the Trainer Handbook, (iii) host FIT auditions as outlined in the Trainer Handbook, (iv) lead FIT sessions as outlined in the Trainer Handbook, and (v) provide training and feedback in accordance with The Barre Code's Training Standards.

Should we determine that the IT is unable to perform any of the sections of the FIT training timeline in accordance with our training standards, we may require these portions to be led by an HQ certified Senior Master Trainer, and we may charge you an additional training fee of \$1,000 per day (8-hour day) or \$300 per hour, plus expenses, or any other amount we designate in the Trainer Handbook (collectively, the "Additional Training Fee"). This additional training will be provided at our offices in Chicago, Illinois, or a designated training facility location of our choosing.

### Founding Instructor Training ("FIT") Details

You are responsible for providing a training program that we designate for all your instructors and team members other than the attendees of the pre-opening training program who we train. The HQ Training Team will outline the designated training program within the then-current edition of the Trainer Handbook. All team members must satisfactorily pass this training program before providing services at your Studio.

The one in-person FIT intensive is included with your initial training fee. The FIT intensive will consist of 20+ hours of training either in Chicago, Illinois, or at a designated training facility at a location of our choosing. We will focus on in-person instructor training on up to 2 class formats per attendee. *Please note that you (or your Operating Partner), and/or your IT will not receive feedback during the FIT intensive. There is a maximum of 5 trainees who may attend, receive feedback, and work during FIT weekend.*

We will certify instructors based on various criteria which we may change at our sole discretion from time to time based on our Performance Expectations. We require that you (or your Operating Partner), your IT, and all other instructors become certified through us before teaching at your Studio.

Upon successful completion of training, all certification applicants must apply for certification in accordance to the then-current certification submission process that may be found in the Trainer Handbook. Should your FIT intensive occur in conjunction with your preview week(s), all certification applicants will have the option to apply for certification in-person. If an instructor does not apply for certification during this time or does not pass in accordance with our Performance Expectations, the instructor will need to submit for certification in accordance to our then-current certification submission process found in the Trainer Handbook. Certification for your initial instructor team up to 2 class formats is included in the initial training fee. Should any of these initial instructors not pass their training mocks for submission, such resubmission will incur a \$50 fee. If an initial instructor enrolls in more than 2 class formats, each certification beyond those original 2 will incur a \$75 charge per each additional format.

Before your Studio opens, we will provide a pre-opening training program comprised of

- (i) **Trainer Training ("IT")**
  - a 15+ hours of independent study through our online portal, The Core, focusing on
    - i Understanding The Barre Code's Performance Expectations
    - ii Understanding The Barre Code's Feedback Standards
    - iii Composing Written Feedback
    - iv Introduction to Verbal Feedback Strategies
    - v Utilizing Trainer Tools provided in the Trainer Handbook
    - vi Learning to instruct our Barre Code format & a minimum of 1 cardio format in accordance with our Performance Expectations
  - b 3+ days of training in Chicago, Illinois (or a designated training facility location of our choice) focusing on
    - i In-person training and certification on a minimum of 2 class formats
    - ii In-person training on hosting auditions, utilizing the Trainer Handbook & FIT Training Plans (40+ hours of training plans, interactive presentations, and instructor training tools), & providing verbal feedback in accordance to The Barre Code's Feedback Standards
- (ii) **Remote Training Check-ins** Twelve (12) 1-hour remote training check-ins with a member of HQ Training to be utilized throughout the entire pre-opening process to support the IT in providing instructors with feedback, support the IT in learning class formats, providing the IT feedback on independent study materials, or any other component of our training program based on our discretion.
- (iii) **Founding Instructor Training Intensive ("FIT Intensive")** 25+ hours of training in Chicago, Illinois (or a designated training facility location of our choice)



focusing on in-person instructor training on up to 2 class formats per attendee. We will determine the identity and composition of the trainer(s) conducting all portions of this pre-opening training program based on our discretion.

#### Additional and Ongoing Training Considerations

If we do not feel that you (or your Operating Partner) and/or your IT have completed the pre-opening Trainer Training program according to our training standards, we may require these individuals to attend additional training, and we may charge you the Additional Training Fee. This additional training will be provided at our offices in Chicago, Illinois, or a designated training facility location of our choosing. If you (or your Operating Partner), your IT or, if required by us, any team members or instructors, are unable to satisfactorily complete the additional training class, we may terminate the Franchise Agreement.

You (or your Operating Partner) or your IT may request additional training at the end of the pre-opening training program if your attendees do not feel sufficiently trained in the operation of a Studio. We and you will jointly determine the duration of this additional training. Please note that scheduling this additional training will be subject to availability. We may charge you the Additional Training Fee for this additional training. However, if your attendees satisfactorily complete our initial training program and have not expressly informed us at the end of the program that they do not feel sufficiently trained in the operation of a Studio, then you and they will be considered to have been trained sufficiently in to operate a Studio with the successful completion of mock classes.

If we determine that you (or your Operating Partner), your IT, or, if required, any team member or instructor, is not properly trained to provide the services offered at your Studio, we will require any such individual to cease providing services at your Studio and/or to be trained by one of our trainers at our then-current Additional Training Fee. Any instructor who is found teaching without explicit certification by us or is teaching unsanctioned material, they will be fined \$1,000 per occurrence.

If at any time you appoint a new Operating Partner or IT, he or she must attend the then-current Trainer Training program within 30 days of the date of appointment and you must pay us our then-current Additional Training Fee. Any instructor, who is not apart of the initial instructor team will be charged \$200 for the review of their certification submission. This fee will cover the new instructor's initial submission in their primary format. If any new instructor enrolls in more than 2 format certification programs simultaneously, or if any instructor enrolls in any certification program after the initial enrollment, we will charge an additional fee of \$75 per submission for each additional format certification. Should an instructor not pass a submission at any time, they will be allowed to resubmit for certification at the cost of \$50 per submission.

We may require you (or your Operating Partner), your IT, or any other instructor of your Studio to attend various training courses, trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us. Besides attending these courses, you (or your Operating Partner) and your IT must attend an annual meeting of

franchisees and/or regional meetings of franchisees. These meetings will be held at our discretion in a location that we designate. However, any attendance at any additional training courses, program or events, or any annual or regional franchisee meetings will not be required for more than 4 days during any calendar year. You must pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner), your IT, or any instructor or team member incurs during any pre-opening training program, any additional training, or at any meetings and/or other training courses and programs. You are responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio, if applicable, to conduct any additional training, including food, lodging, and transportation.

You understand that any specific ongoing training or advice we provide does not create an obligation for us to continue to provide this specific training or advice, all of which we may discontinue and modify (Franchise Agreement - Section 4A)

### TRAINING PROGRAM

| <u>Subject</u>                                                                 | <u>Hours of<br/>Classroom<br/>Training</u> | <u>Hours of On-the-<br/>job Training</u> | <u>Location</u>                                                                                                     |
|--------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Owner Training Operations & Client Relations                                   | 8                                          | 5                                        | In person at one of our Studios in Chicago, IL, or a designated location of our choosing                            |
| Owner Training MindBody Software                                               | 10                                         | 7                                        | Remotely and in person at one of our Studios in Chicago, IL, or a designated location of our choosing               |
| Instructor Training Curriculum & Instruction (including exams and observation) | 100                                        | 20                                       | Remotely and in person at both your Studio and our Studios in Chicago, IL, or a designated location of our choosing |
| Instructor Training Anatomy, Injury, & Pregnancy                               | 10                                         | 10                                       | In person at your Studio                                                                                            |
| <b>TOTALS</b>                                                                  | <b>128</b>                                 | <b>42</b>                                |                                                                                                                     |

Note 1 The hours devoted to each module are estimates and may vary depending on how quickly trainees learn the material, prior experience with the subject, and scheduling On-the-job training includes cross training in all subject areas of the business

Note 2 We may vary the length and content of the training program based upon the experience and skill level of the individuals attending the training program

Note 3 Our current instructors are Jillian Lorenz, Ariana Chernin, and Kayla Straub Jillian Lorenz has 8 years of experience with us and our affiliates and 16 years of experience in the subjects taught Ariana Chernin has 8 years of experience with us and our affiliates and 14 years in the subjects taught Kayla Straub has 3 years of experience with us and our affiliates and 8 years in the subjects taught

Note 4 This chart does not include any pre-training programs, which may be required before the start of either the Owner Training or Instructor training, and can include study of provided materials and associated exams

## **Item 12**

### **TERRITORY**

#### **Franchise Program**

You will not receive any exclusive territorial rights and you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control However, in limited circumstances, in areas other than metropolitan areas, we may grant a franchisee an area of protection for its Studio If we grant you an area of protection, we will not operate or grant a franchise for the operation of a Studio in that area

We will determine whether to grant you an area of protection based on our then-current criteria, which may change from time to time, at our sole discretion Currently, our criteria for granting an area of protection outside of metropolitan areas are based on the market conditions around your Studio, including density of population, number of competitors in the market, site availability, growth potential and geographic barriers If we grant you an area of protection, we will require you to sign our current form of Amendment to Franchise Agreement (for Area of Protection), which is attached as Exhibit D If we grant you an area of protection, we may modify or remove it at any time if you are in default of the Franchise Agreement or any other agreement with us and our affiliates Your rights over any applicable area of protection are not dependent on achieving a certain sales volume, market penetration or other contingency

Except as expressly limited by any Amendment to Franchise Agreement (for Area of Protection), we and our affiliates retain all rights with respect to the location of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities These rights include

- (1) the right to establish and operate, and allow others to establish and operate, other Studios using the Marks and the System, at any location and on these terms and conditions we deem appropriate, provided that we will not operate or grant a franchise for the operation of a Studio in your area of protection, if applicable,
- (2) the right to establish and operate, additional concepts or businesses providing products or services similar to those provided at Studios anywhere, under other trade names, trademarks, service marks and commercial symbols different from the Marks,
- (3) the right to establish, and allow others to establish, other businesses and distribution channels (including the Internet or retail stores), wherever located or operating and regardless of the nature or location of the customers with whom these other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell under any terms and conditions we deem appropriate,
- (4) the right to acquire, or be acquired by, (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), a business providing products and services similar to those provided at Studios, even if this business operates, franchises and/or licenses competitive businesses, and
- (5) engage in all other activities not expressly prohibited by the Franchise Agreement

We are not required to pay you if we exercise any of the rights specified above

Our affiliates operate 6 Company Studios as of the issuance date of this Disclosure Document. These Company Studios may offer and sell goods and services to customers anywhere, including near your Studio. Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells services or products similar to the services or products offered at Studios, but we may do so in the future.

You may face competition from other franchisees, from Company Studios or from other channels of distribution or competitive brands that we control. Studios, whether franchised or company-owned, are free to advertise, solicit and accept orders from any customers regardless of the location of your Studio. There are no limitations on your ability to solicit customers in any location. However, except in connection with the approved Franchise System Website or other approved channels, you may not engage in any promotional or similar activities, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system. You may not sell any Studio product or service through any alternative channel of distribution, including the Internet.

You may only operate your Studio at the Premises. You may not relocate your Studio to a location other than the Premises or open additional locations without our prior written

approval. If we allow you to relocate your Studio, you will be assessed a relocation fee for the services we provide in connection with your relocation, including reviewing and approving a new site and lease, assisting with the design and construction of the new site, assisting with suppliers for the new site, training and other onsite opening services. (See Item 6)

Except as described above, continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other contingency. You have no options, rights of first refusal or similar rights to acquire additional franchises.

### **Multi-Unit Territory Development**

If you enter into a Multi-Unit Agreement, you will have the right to develop three Studios in the Development Area in accordance with the Development Schedule. Other than the Studios specified in the Development Schedule, you will not have the right to open additional Studios nor will you have any rights of first refusal on any other location under the Multi-Unit Agreement. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Multi-Unit Agreement.

You must execute our then-current Franchise Agreement for each Studio that you develop pursuant to the Multi-Unit Agreement. We will designate a Territory for the Studio as described above.

The Development Area is an exclusive territory. This means that while the Multi-Unit Agreement is in effect, provided that you open and operate the Studios in accordance with the Development Schedule, we will not operate, or license any person other than you to operate, a Studio under the Marks and the System within the Development Area.

You must comply with your development obligations under the Multi-Unit Agreement, including the Development Schedule, in order to maintain your exclusive right to develop Studios within the Development Area. If you do not comply with your Development Schedule, we may terminate your Multi-Unit Agreement and any further development rights you have under that Agreement. Otherwise, you will not modify the size of your Development Area except by mutual written agreement signed by both parties.

If a Studio is destroyed or damaged by a cause beyond your control such that it may no longer continue to be open for the operation of business ("**Casualty Event**"), you must diligently work to repair and restore the Studio to our approved plans and specifications as soon as possible at the same location or at a substitute site acceptable to us within the Development Area. Under such circumstances, the Studio will continue to be deemed in operation for the purposes of this Agreement for up to 180 days after occurrence. If a Studio (i) is closed in a manner other than described in the Multi-Unit Agreement or otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Casualty Event, then we may terminate the Multi-Unit Agreement and all of your exclusive territory rights, if any, will be eliminated.

Upon the expiration or termination of the Multi-Unit Agreement, your exclusive right to develop Studios within the Development Area will be terminated. However, Studios that you have opened will continue to operate under the terms of the applicable Franchise Agreements signed pursuant to the Multi-Unit Agreement. Upon the expiration or termination of the Multi-Unit Agreement, you will not have any exclusive rights in the Development Area, except as provided in Exhibit B attached to each Franchise Agreement that remains in effect, and you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we may control.

### **Item 13**

## **TRADEMARKS**

We grant you the non-exclusive right and obligation to use the Marks, and you must use the Marks as we require. You may not use any of the Marks as part of your firm or corporate name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any user name, screen name or profile in connection with any social networking sites, such as LinkedIn®, Instagram®, Twitter®, Facebook®, or YouTube®, except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing periodically. You may not use the Marks in any advertising for the transfer, sale or other disposition of your Studio or any interest in the franchise, unless otherwise approved by us. Except for the Franchise System Website or with our prior written consent, you may not use the Marks as part of any domain name, homepage, electronic address, or otherwise in connection with a website, and then only under the terms we specify.

We license the Marks from our affiliate, BCIP, which owns all rights to the Marks, pursuant to a Trademark License Agreement (the "License Agreement"). The term of the License Agreement began on February 21, 2013 and will continue unless terminated. The License Agreement may be terminated (resulting in the loss of our right to use and to sublicense the use of the Marks to you) by mutual agreement of the parties, or by Licensor for a number of reasons, including if Licensee defaults on any obligations, becomes insolvent, is placed in liquidation, has a receiver appointed for its business, ceases to conduct its operations in the ordinary course, files a voluntary petition seeking protection from creditors, or has an involuntary petition for bankruptcy filed against it. All rights in and goodwill from the use of the Marks accrue to BCIP. Except as described above, no agreement significantly limits our rights to use or sublicense the Marks in a manner material to the franchise.

The following table sets forth the status of applications filed with the U.S. Patent and Trademark Office ("PTO") on the Principal Register of the principal marks licensed to you.

| <u>DESCRIPTION OF MARK</u> | <u>APPLICATION/<br/>REGISTRATION NUMBER</u> | <u>APPLICATION/<br/>REGISTRATION DATE</u> |
|----------------------------|---------------------------------------------|-------------------------------------------|
| BARRE CODE                 | 4367468                                     | July 16, 2013                             |

We may establish new Marks in the future and you must use and display these marks in accordance with specifications and bear all costs associated with changes to Marks or introduction of new Marks

There is presently no effective determination of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks. We know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us and our and our affiliates' attorneys, regarding any infringement, challenge or claim. We and/or BCIP may take the action we deem appropriate and control exclusively any litigation, PTO proceeding or other administrative proceeding from the infringement, challenge or claim or otherwise concerning any Mark. You must sign the documents and take the actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We do not have to reimburse you for your costs, loss of revenue or other expenses of promoting a modified and/or substitute trademark or service mark.

You must not contest, or assist any other person in contesting, the validity of our and BCIP's ownership of the Marks. Your use of the Marks and any goodwill established by that use are exclusively for our and BCIP's benefit.

Under the Franchise Agreement, we must indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark in compliance with the Franchise Agreement is held to constitute trademark infringement, and for all reasonable costs you incur in the defense of any claim brought against you or in any proceeding in which you are named as a party, only if you have timely notified us of the claim or proceeding and comply with our directions in responding to the proceeding. At our option, we and/or BCIP may defend and control the defense of any proceeding from your use of any Mark under the Franchise Agreement.

## **Item 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patents are material to the franchise. We do not have any pending patent applications that are material to the franchise. We and/or our affiliates claim copyrights in the Operations Manual (which contains our trade secrets), handbooks, the Franchise System Website advertising and marketing materials, all or part of the Marks, and other portions of the System and other similar materials used in operating Studios. We have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your Studio (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights, which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the System's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our and our affiliates' confidential information (some of which constitutes trade secrets under applicable law) (the "Confidential Information"). This information includes specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating Studios, training and operations materials, methods, formats, knowledge and specifications regarding suppliers of Operating Assets and other products and supplies, marketing and advertising programs and strategies for Studios, any computer software or similar technology that is proprietary to us or the System, strategic plans, expansion goals, targeted demographics, and knowledge of the operating results and financial performance of Studios other than your Studio.

All ideas, concepts, techniques, or materials concerning a Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to personnel of your Studio and certain other



people and using non-disclosure and non-competition agreements with those having access to Confidential Information in a form determined by us (our current form is attached as Exhibit C to the Franchise Agreement) We may regulate the form of agreement that you use and we will be a third party beneficiary of that agreement with independent enforcement rights

All Membership Information is owned by us and you agree to only use Membership Information for the promotion of your Studio You will not use or sell Membership Information to any third parties and you will comply with all applicable laws governing the use and protection of Membership Information

### **Item 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

If you are an entity, you must identify one of your owners who is a natural person with at least a 51% ownership interest and voting power in you (the "Operating Partner") Further, you must identify one of your owners who is a natural person who we have approved and who is fully trained and qualified to teach the Curriculum and to supervise the training and performance of all other instructors teaching at your Studio (the "Master Trainer") You (or your Operating Partner) may act as the Master Trainer, if you (or your Operating Partner) meet the applicable criteria We may require our approval of the Operating Partner or the Master Trainer You (or your Operating Partner) and your Master Trainer are responsible for the management, direction and control of your Studio, subject to the terms and conditions of the Franchise Agreement Your Master Trainer must work full-time at your Studio, supervise all training and instruction related to the Curriculum and continuously exert his or her best efforts to promote and enhance your Studio You (or your Operating Partner) must supervise the day-to-day operations of your best efforts to promote and enhance your Studio but need not work full-time at your Studio, unless acting as the Master Trainer Your Studio must always be under the direct on-site supervision of you (or your Operating Partner) or your Master Trainer (See Item 11)

You (or your Operating Partner), your Master Trainer and any required employee or instructor must complete all required training to our satisfaction In the event that your Operating Partner ceases to own at least its required ownership interest in you, you must recruit a new Operating Partner within 30 days of the change in ownership and submit the identity of the new Operating Partner to us for our review and approval If you appoint a new Operating Partner or Master Trainer after you open your Studio, the Operating Partner or Master Trainer must complete the initial training program within 30 days after the date of appointment (See Item 11) You must keep us informed at all times of the identity of the Operating Partner and the Master Trainer

If we determine that your Studio is not being managed properly, we may, but need not, assume your Studio's management (or appoint a third party to assume its management) All funds from your Studio's operation while it is under our (or the third party's) management will be kept in a separate account by us, and all expenses will be charged to this account We may

charge you (in addition to the Royalty, Marketing Fund Contribution, and other amounts due to us or our affiliates) \$400 per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume your Studio's management. During the term of the Franchise Agreement, we may adjust the amount of this daily fee periodically by an amount that is commensurate with inflation. We (or a third party) have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any products, other assets, or services your Studio purchases, while we (or a third party) manage it.

If you are a corporation, limited liability company, or partnership, your direct and indirect owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is attached as Exhibit D to the Franchise Agreement. In addition, if these owners are married, their spouse may have to consent in writing to their signing of the guaranty.

### **Item 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all services and products that we periodically specify for Studios. You must offer and sell approved products and services only at the Premises and in the manner we have authorized. Our System Standards may regulate required and/or authorized products and services. We may also periodically set maximum or minimum prices for services and products that your Studio offers. You will use certain products that we designate in connection with providing services to customers. We may periodically change the required and/or authorized products and services, and there are no limits on our right to do so. You must promptly implement these changes and must discontinue selling any products or services that we at any time decide to disapprove in writing. You may not perform any services or offer or sell any products at the Studio, the Premises or any other location that we have not authorized. (See Item 8) You may not sell any products or services through alternative channels of distribution (including the Internet). (See Item 12) You must discontinue selling and offering for sale any services or products that we at any time decide to disapprove in writing.

If at any time (including after our initial approval) we determine that you fail to meet our specifications and standards in connection with your Studio's offering and sale of products or services, we may permanently or temporarily terminate your right to offer these products or services.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

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

| <b>Provision</b>                                   | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Length of the franchise term                   | Section 1D                            | Term of the Franchise Agreement is 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| (b) Renewal or extension of the term               | Section 13A                           | 1 renewal franchise terms of 10 years, if you meet certain requirements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (c) Requirements for franchisee to renew or extend | Section 13                            | <p>Prior written notice, full compliance with the Franchise Agreement and System Standards, substantial compliance with the Franchise Agreement throughout the franchise term, pay successor franchise fee, sign then-current Franchise Agreement, which may materially differ from your current Franchise Agreement, and sign (if state law allows) general releases and other ancillary agreements</p> <p>You must also maintain possession of and agree to remodel your Studio or otherwise bring it into compliance with our then-current System Standards. Otherwise, you must secure and develop new premises</p> |
| (d) Termination by franchisee                      | Section 14A                           | You may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement and we materially fail to comply with the Franchise Agreement and do not cure within 30 days after you deliver written notice of this material failure, effective an additional 30 days after you deliver written notice of termination                                                                                                                                                                                                                                                                            |
| (e) Termination by franchisor without cause        | None                                  | We may not terminate the Franchise Agreement without cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| (f) Termination by franchisor with cause           | Section 14B                           | We may terminate the Franchise Agreement only if you (or your owners or Operating Partner) commit one of several violations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| Provision                                  | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (g) "Cause" defined — curable defaults     | Section 14B                    | You have 72 hours to cure health, safety or sanitation law violations, 10 days to cure any insurance requirements, violations of other applicable laws, regulations, ordinances or consent decrees, monetary defaults, and 30 days to cure a failure to pay rent, failure to comply with the Franchise Agreement or any System Standard not specified in (h) below                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| (h) "Cause" defined — non-curable defaults | Section 14B                    | Material misrepresentation in acquiring the franchise or operating your Studio, failure to open Studio within 60 days after the date we approve the Premises or 180 days of signing the Franchise Agreement, whichever occurs first, failure to receive our written approval of your Studio's proposed site and lease within 120 days of the effective date of the Franchise Agreement, failure to complete the initial training program, abandonment or failure to actively operate your Studio more than 2 consecutive business days or 14 days during 12-month period without written permission, unauthorized transfers, conviction of or no contest plea to a felony or other crime, dishonest or unethical conduct affecting your Studio's goodwill or reputation, loss of your right to occupy the Premises, unauthorized use or disclosure of the Operations Manual or other Confidential Information, failure to pay taxes, insufficiency of funds 3 times within a 12-month period, understating Gross Sales 3 or more times during the term of the Franchise Agreement or by more than 5% in one instance, 3 defaults within a 12-month period or 2 of the same defaults within a 12-month period (even if cured), bankruptcy or similar proceeding, violation of any anti-terrorism law, termination of any other franchise agreement between you or your affiliates and us or any of our affiliates, you receive a below average or unsatisfactory grade on 2 or more separate mystery shopper examinations within a 12-month period, and failure to pay a third-party supplier within the applicable cure period |

| <b>Provision</b>                                        | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Franchisee's obligations on termination/non-renewal | Sections 15A through 15E              | Paying outstanding amounts including the balance of the Royalty and Marketing Fund Contributions from the date of termination up to the scheduled expiration date of the Franchise Agreement, complete de-identification, including removal of signs and Marks, cancellation of assumed names relating to your use of any Mark, notifying telephone company and telephone directory publishers of the termination of your right to use any numbers associated with the Marks, assigning the numbers and directory listings to us, ceasing to use Marks, returning Confidential Information, cease operation and cancel any rights or accounts of any website or online presence related to the Studio or Marks, notify all members and refund these members any amounts they are legally entitled to |
| (j) Assignment of contract by franchisor                | Section 12A                           | We may change our ownership or form and/or assign the Franchise Agreement and any other agreement without restriction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| (k) "Transfer" by franchisee — defined                  | Section 12B                           | Includes transfer of Franchise Agreement, your Studio or any right to receive all or a portion of your Studio's profits, losses or capital appreciation, substantially all of the assets of your Studio, any ownership interest in you, or any ownership interest in any of your owners if these owners are legal entities                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| (l) Franchisor approval of transfer by franchisee       | Sections 12B and 12C                  | You may not transfer the Franchise Agreement without our prior written approval                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Provision                                                                | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (m) Conditions for franchisor approval of transfer                       | Section 12C                    | <p>New franchise owner qualifies, you pay us, our affiliates, and third-party vendors all amounts due, new franchise owner (and its owners and affiliates) are not in a Competitive Business, completion of training program, lease permitted to be transferred, you or transferee signs our then-current franchise agreement and other documents, provisions of which may differ materially from those contained in the Franchise Agreement, payment of transfer fee, you sign (if state law allows) a general release and a guaranty, we determine that the purchase price and payment terms will not adversely affect the purchaser's operation of the Studio, you subordinate amounts due to you, you correct existing deficiencies in your Studio of which we notify you and/or the transferee agrees to upgrade, remodel and refurbish your Studio for which we may require transferee to escrow an amount we approve for the payment of this upgrade, remodel or refurbishment, you de-identify, and you comply with non-compete obligations</p> <p>Under the Franchise Agreement, a "Competitive Business" is (i) any business (excluding any Studios operated under a franchise agreement with us or our affiliates) operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes</p> |
| (n) Franchisor's right of first refusal to acquire franchisee's business | Section 12F                    | We have a 30-day right of first refusal and can match offers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| (o) Franchisor's option to purchase franchisee's business                | Section 15E                    | We may purchase your Studio at fair market value upon our termination or your termination or expiration of the Franchise Agreement, at our discretion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| (p) Death or disability of franchisee                                    | Section 12G                    | Upon death or disability of you (or your Operating Partner) or a Controlling Owner, your (or your Operating Partner's) or the Controlling Owner's executor or personal representative must transfer the ownership interest within 9 months of date of death or disability We may assume your Studio's management or appoint an interim manager to operate your Studio                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| <b>Provision</b>                                                           | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (q) Non-competition covenants during the term of the franchise             | Section 7                             | No ownership interest in or performing services for a Competitive Business located anywhere, no solicitation or interference with our or our affiliates or franchisees relationships with any Studio customers, vendors or clients, no employment of a person employed by us, our affiliates or any of our other franchisees, and no engagement in any other activity injuring the goodwill of the Marks and the System                                                                                                  |
| (r) Non-competition covenants after the franchise is terminated or expires | Sections 15F and 15G                  | You may not have any direct or indirect interest in a Competitive Business located or operating at the Premises or within a 10-mile radius of the Premises for 2 years. Additionally, for 2 years you may not solicit or interfere with our or our affiliates or franchisees relationships with any Studio customers, vendors or consultants, not employ a person employed by us, our affiliates or any other franchisee of ours, and not engage in any other activity injuring the goodwill of the Marks and the System |
| (s) Modification of the agreement                                          | Section 17I                           | No modification unless by written agreement of both parties, but Operations Manual and System Standards subject to change                                                                                                                                                                                                                                                                                                                                                                                                |
| (t) Integration/merger clause                                              | Section 17K                           | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                       |
| (u) Dispute resolution by arbitration or mediation                         | Section 17E                           | All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. This is subject to state law.                                                                                                                                                                                                                                                                                                                              |
| (v) Choice of forum                                                        | Section 17G                           | Subject to the arbitration requirement, litigation generally must begin in the state or federal court of general jurisdiction closest to our then-current principal place of business (currently in Chicago, Illinois), but we and you may enforce any arbitration orders and awards in the courts of the state(s) in which you are domiciled or your Studio is located (subject to state law).                                                                                                                          |

| <b>Provision</b>  | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                |
|-------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| (w) Choice of law | Section 17F                           | Except for the Federal Arbitration Act and other federal law, the law of the State of Illinois governs (subject to state law) |

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit F.

### **TERRITORY DEVELOPMENT**

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

| <b>Provision</b>                                   | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Length of the franchise term                   | 1D                                      | Earlier of (i) date on which last Studio is required to open, or (ii) the last day of the last Development Period                                                                                                                                                                                                                            |
| (b) Renewal or extension of the term               | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                                                               |
| (c) Requirements for franchisee to renew or extend | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                                                               |
| (d) Termination by franchisee                      | Section 10A                             | You may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement and we materially fail to comply with the Franchise Agreement and do not cure within 30 days after you deliver written notice of this material failure, effective an additional 30 days after you deliver written notice of termination |
| (e) Termination by franchisor without cause        | None                                    | We may not terminate the Franchise Agreement without cause                                                                                                                                                                                                                                                                                   |



| Provision                                  | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (f) Termination by franchisor with cause   | Section 10B                      | We may terminate the Franchise Agreement only if you (or your owners or Operating Partner) commit one of several violations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (g) "Cause" defined — curable defaults     | Section 10B                      | You have 72 hours to cure health, safety or sanitation law violations, 10 days to cure any insurance requirements, violations of other applicable laws, regulations, ordinances or consent decrees, monetary defaults, and 30 days to cure a failure to pay rent, failure to comply with the Franchise Agreement or any System Standard not specified in (h) below                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (h) "Cause" defined — non-curable defaults | Section 10B                      | Material misrepresentation in acquiring the franchise or operating your Studio, failure to open Studio within time period set for in Development Schedule, you abandon or threaten to abandon the Development Rights, failure to receive our written approval of your Studio's proposed site and lease within 120 days of the effective date of the Franchise Agreement, unauthorized transfers, conviction of or no contest plea to a felony or other crime, dishonest or unethical conduct affecting your Studio's goodwill or reputation, loss of your right to occupy the Premises, unauthorized use or disclosure of the Operations Manual or other Confidential Information, failure to pay taxes, insufficiency of funds 3 times within a 12-month period, understating Gross Sales 3 or more times during the term of the Franchise Agreement or by more than 5% in one instance, 3 defaults within a 12-month period or 2 of the same defaults within a 12-month period (even if cured), bankruptcy or similar proceeding, violation of any anti-terrorism law, termination of any other franchise agreement between you or your affiliates and us or any of our affiliates, you receive a below average or unsatisfactory grade on 2 or more separate mystery shopper examinations within a 12-month period, and failure to pay a third-party supplier within the applicable cure period |

| Provision                                               | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Franchisee's obligations on termination/non-renewal | Sections 10D through 10G         | Paying outstanding amounts including the balance of the Royalty and Marketing Fund Contributions from the date of termination up to the scheduled expiration date of the Multi-Unit Agreement, complete de-identification, including removal of signs and Marks, cancellation of assumed names relating to your use of any Mark, notifying telephone company and telephone directory publishers of the termination of your right to use any numbers associated with the Marks, assigning the numbers and directory listings to us, ceasing to use Marks, returning Confidential Information, cease operation and cancel any rights or accounts of any website or online presence related to the Studio or Marks, notify all members and refund these members any amounts they are legally entitled to |
| (j) Assignment of contract by franchisor                | Section 9A                       | We may change our ownership or form and/or assign the Multi-Unit Agreement and any other agreement without restriction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| (k) "Transfer" by franchisee — defined                  | Section 9B                       | Includes transfer of Multi-Unit Agreement, your Studio or any right to receive all or a portion of your Studio's profits, losses or capital appreciation, substantially all of the assets of your Studio, any ownership interest in you, or any ownership interest in any of your owners if these owners are legal entities                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| (l) Franchisor approval of transfer by franchisee       | Sections 9B and 9C               | You may not transfer the Multi-Unit Agreement without our prior written approval                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Provision                                                                | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (m) Conditions for franchisor approval of transfer                       | Section 9C                       | <p>New franchise owner qualifies, you pay us, our affiliates, and third-party vendors all amounts due, new franchise owner (and its owners and affiliates) are not in a Competitive Business, completion of training program, lease permitted to be transferred, you or transferee signs our then-current franchise agreement and other documents, provisions of which may differ materially from those contained in the Multi-Unit Agreement, payment of transfer fee, you sign (if state law allows) a general release and a guaranty, we determine that the purchase price and payment terms will not adversely affect the purchaser's operation of the Studio, you subordinate amounts due to you, you correct existing deficiencies in your Studio of which we notify you and/or the transferee agrees to upgrade, remodel and refurbish your Studio for which we may require transferee to escrow an amount we approve for the payment of this upgrade, remodel or refurbishment, you de-identify, and you comply with non-compete obligations</p> <p>Under the Multi-Unit Agreement, a "Competitive Business" is (1) any business (excluding any Studios operated under a franchise agreement with us or our affiliates) operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes</p> |
| (n) Franchisor's right of first refusal to acquire franchisee's business | Section 9F                       | We have a 30-day right of first refusal and can match offers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| (o) Franchisor's option to purchase franchisee's business                | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| (p) Death or disability of franchisee                                    | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| <b>Provision</b>                                                           | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (q) Non-competition covenants during the term of the franchise             | Section 7                               | No ownership interest in or performing services for a Competitive Business located anywhere, no solicitation or interference with our or our affiliates or franchisees relationships with any Studio customers, vendors or clients, no employment of a person employed by us, our affiliates or any of our other franchisees, and no engagement in any other activity injuring the goodwill of the Marks and the System                                                                                                  |
| (r) Non-competition covenants after the franchise is terminated or expires | Sections 10F and 10I                    | You may not have any direct or indirect interest in a Competitive Business located or operating at the Premises or within a 10-mile radius of the Premises for 2 years. Additionally, for 2 years you may not solicit or interfere with our or our affiliates or franchisees relationships with any Studio customers, vendors or consultants, not employ a person employed by us, our affiliates or any other franchisee of ours, and not engage in any other activity injuring the goodwill of the Marks and the System |
| (s) Modification of the agreement                                          | Section 12I                             | No modification unless by written agreement of both parties, but Operations Manual and System Standards subject to change                                                                                                                                                                                                                                                                                                                                                                                                |
| (t) Integration/merger clause                                              | Section 12K                             | Only the terms of the Multi-Unit Agreement and Franchise Agreement signed pursuant to the Multi-Unit Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Multi-Unit Agreement or Franchise Agreement may not be enforceable.                                                                                                                                                                                                                          |
| (u) Dispute resolution by arbitration or mediation                         | Section 12E                             | All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. This is subject to state law.                                                                                                                                                                                                                                                                                                                              |
| (v) Choice of forum                                                        | Section 12G                             | Subject to the arbitration requirement, litigation generally must begin in the state or federal court of general jurisdiction closest to our then-current principal place of business (currently in Chicago, Illinois), but we and you may enforce any arbitration orders and awards in the courts of the state(s) in which you are domiciled or your Studio is located (subject to state law).                                                                                                                          |

| <b>Provision</b>  | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                |
|-------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| (w) Choice of law | Section 12F                             | Except for the Federal Arbitration Act and other federal law, the law of the State of Illinois governs (subject to state law) |

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit F.

### **Item 18**

#### **PUBLIC FIGURES**

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

### **Item 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchase 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 Samantha Piolet at Barre Code Franchisor, L L C , 435 N LaSalle Blvd LL2, Chicago, IL 60654 and (312) 595-1600, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO 1  
SYSTEMWIDE STUDIO SUMMARY  
FOR YEARS 2015 TO 2017<sup>1</sup>**

| <b>Outlet Type</b>                       | <b>Year</b> | <b>Studios at the<br/>Start of the Year</b> | <b>Studios at the<br/>End of the Year</b> | <b>Net Change</b> |
|------------------------------------------|-------------|---------------------------------------------|-------------------------------------------|-------------------|
| Franchised                               | 2015        | 10                                          | 18                                        | +8                |
|                                          | 2016        | 18                                          | 24                                        | +6                |
|                                          | 2017        | 24                                          | 28                                        | +4                |
| Company Owned<br>or Managed <sup>2</sup> | 2015        | 5                                           | 6                                         | +1                |
|                                          | 2016        | 6                                           | 6                                         | 0                 |
|                                          | 2017        | 6                                           | 6                                         | 0                 |
| Total Studios                            | 2015        | 15                                          | 24                                        | +9                |
|                                          | 2016        | 24                                          | 30                                        | +6                |
|                                          | 2017        | 30                                          | 34                                        | +4                |

- 1 The numbers in this table are opened studios as of December 31, 2015, December 31, 2016, and December 31, 2017
- 2 Company-owned includes affiliate-owned or managed

**TABLE NO 2  
TRANSFERS OF STUDIOS FROM FRANCHISEES TO  
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)  
FOR YEARS 2015 TO 2017<sup>1</sup>**

| <b>State</b> | <b>Year</b> | <b>Number of Transfers</b> |
|--------------|-------------|----------------------------|
| Totals       | 2015        | 0                          |
|              | 2016        | 0                          |
|              | 2017        | 0                          |

- 1 The numbers in this table are as of December 31, 2015, December 31, 2016, December 31, 2017

**TABLE NO 3**  
**STATUS OF FRANCHISED STUDIOS**  
**FOR YEARS 2015 TO 2017<sup>1</sup>**

| State | Year | Studios at Start of Year | Studios Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Studios at End of Year |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|------------------------|
| AL    | 2015 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2016 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2017 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
| CA    | 2015 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2016 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2017 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
| IL    | 2015 | 1                        | 2              | 0            | 0            | 0                        | 0                               | 3                      |
|       | 2016 | 3                        | 2              | 0            | 0            | 0                        | 0                               | 5                      |
|       | 2017 | 5                        | 1              | 0            | 0            | 0                        | 0                               | 6                      |
| IN    | 2015 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2016 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2017 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| KY    | 2015 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2016 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2017 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| LA    | 2015 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2016 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2017 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| MI    | 2015 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                      |
|       | 2016 | 4                        | 1              | 0            | 0            | 0                        | 0                               | 5                      |
|       | 2017 | 5                        | 0              | 0            | 0            | 0                        | 0                               | 5                      |
| NE    | 2015 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2016 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2017 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                      |
| OH    | 2015 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2016 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2017 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                      |
| State | Year | Studios at Start of Year | Studios Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Studios at End of Year |
| PA    | 2015 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                      |

|        |      |    |   |   |   |   |   |    |
|--------|------|----|---|---|---|---|---|----|
|        | 2016 | 2  | 0 | 0 | 0 | 0 | 0 | 2  |
|        | 2017 | 2  | 0 | 0 | 0 | 0 | 0 | 2  |
| SC     | 2015 | 0  | 0 | 0 | 0 | 0 | 0 | 0  |
|        | 2016 | 0  | 0 | 0 | 0 | 0 | 0 | 0  |
|        | 2017 | 0  | 1 | 0 | 0 | 0 | 0 | 1  |
| TX     | 2015 | 2  | 2 | 0 | 0 | 0 | 0 | 4  |
|        | 2016 | 4  | 1 | 0 | 0 | 0 | 0 | 5  |
|        | 2017 | 5  | 0 | 0 | 0 | 0 | 1 | 4  |
| WI     | 2015 | 1  | 1 | 0 | 0 | 0 | 0 | 2  |
|        | 2016 | 2  | 1 | 0 | 0 | 0 | 0 | 3  |
|        | 2017 | 3  | 0 | 0 | 0 | 0 | 0 | 3  |
| Totals | 2015 | 10 | 8 | 0 | 0 | 0 | 0 | 18 |
|        | 2016 | 18 | 6 | 0 | 0 | 0 | 0 | 24 |
|        | 2017 | 24 | 5 | 0 | 0 | 0 | 1 | 28 |

1 The numbers in this table are as of December 31, 2015, December 31, 2016, and December 31, 2017

**TABLE NO 4**  
**STATUS OF COMPANY-OWNED STUDIOS**  
**FOR YEARS 2015 TO 2017<sup>1, 2</sup>**

| State    | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|----------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| Colorado | 2015 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |
|          | 2016 | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|          | 2017 | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
| Florida  | 2015 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|          | 2016 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |
|          | 2017 | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
| Illinois | 2015 | 5                        | 0              | 0                                  | 0              | 0                          | 5                      |
|          | 2016 | 5                        | 0              | 0                                  | 1              | 0                          | 4                      |
|          | 2017 | 4                        | 0              | 0                                  | 0              | 0                          | 4                      |
| Totals   | 2015 | 5                        | 1              | 0                                  | 0              | 0                          | 6                      |
|          | 2016 | 6                        | 1              | 0                                  | 1              | 0                          | 6                      |
|          | 2017 | 6                        | 0              | 0                                  | 0              | 0                          | 6                      |

1 The numbers in this table are as of December 31, 2015, December 31, 2016, and December 31, 2017



- 2 All Company Studios are owned and operated by our affiliate BBF We have never owned or operated any Studios

**TABLE NO 5**  
**PROJECTED OPENINGS FOR 2018**  
**AS OF DECEMBER 31, 2017**

| State          | Franchise Agreements Signed But Not Opened | Projected New Franchises in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|----------------|--------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|
| Alabama        | 0                                          | 0                                                | 0                                                           |
| California     | 0                                          | 1                                                | 0                                                           |
| Colorado       | 1                                          | 0                                                | 0                                                           |
| Florida        | 0                                          | 1                                                | 0                                                           |
| Georgia        | 0                                          | 0                                                | 0                                                           |
| Illinois       | 0                                          | 0                                                | 0                                                           |
| Indiana        | 1                                          | 0                                                | 0                                                           |
| Kentucky       | 0                                          | 0                                                | 0                                                           |
| Louisiana      | 0                                          | 0                                                | 0                                                           |
| Massachusetts  | 0                                          | 0                                                | 0                                                           |
| Michigan       | 2                                          | 2                                                | 0                                                           |
| Minnesota      | 0                                          | 1                                                | 0                                                           |
| Nebraska       | 0                                          | 0                                                | 0                                                           |
| New York       | 0                                          | 1                                                | 0                                                           |
| North Carolina | 1                                          | 0                                                | 0                                                           |
| Ohio           | 0                                          | 0                                                | 0                                                           |
| Pennsylvania   | 0                                          | 0                                                | 0                                                           |
| South Carolina | 0                                          | 0                                                | 0                                                           |
| Texas          | 0                                          | 1                                                | 0                                                           |
| Virginia       | 0                                          | 1                                                | 0                                                           |
| Washington     | 1                                          | 0                                                | 0                                                           |
| Washington DC  | 0                                          | 0                                                | 0                                                           |
| Wisconsin      | 0                                          | 0                                                | 0                                                           |
| <b>Totals</b>  | <b>6</b>                                   | <b>8</b>                                         | <b>0</b>                                                    |

A list of the names, addresses and telephone numbers of our franchisees as of December 31, 2017 is attached as Exhibit G

The name, city and state, and the current business telephone number (or, if known, the last known home telephone number) of every franchisee who had a Franchise Agreement terminated, canceled, or not renewed by us during the period from February 2016 through December 2017, who otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during the period from February 2016 through December 2017, or who did not communicate with us within 10 weeks of the issuance date of this Disclosure Document are attached to this Disclosure Document as Exhibit G

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

No franchisee has signed confidentiality agreements during the last 3 fiscal years restricting its ability to speak openly about its experience with our franchise system. We are not aware of any trademark-specific franchisee organizations associated with our franchise system

## **Item 21**

### **FINANCIAL STATEMENTS**

Exhibit H contains our audited balance sheet as of December 31, 2016 and December 31, 2017, our audited statement of operations and member's equity and cash flow for the fiscal year ended December 31, 2016 and December 31, 2017

Our fiscal year end is December 31 of each calendar year

## **Item 22**

### **CONTRACTS**

The following contracts are attached as exhibits to this Disclosure Document

- (a) Franchise Agreement – Exhibit B
- (b) Confidentiality and Non-Competition Agreement – Exhibit C to the Franchise Agreement
- (c) Guaranty and Assumption of Obligations – Exhibit D to the Franchise Agreement
- (d) Lease Addendum – Exhibit E to the Franchise Agreement
- (e) Amendment to Franchise Agreement for Territory Development – Exhibit C
- (f) Amendment to Franchise Agreement for Area of Protection – Exhibit D
- (g) State Addenda and Agreement Riders to Franchise Agreement – Exhibit F
- (h) Representations and Acknowledgment Statement – Exhibit I

- (i) Sample General Release – Exhibit J

**Item 23**

**RECEIPTS**

Exhibit K contains detachable documents acknowledging your receipt of this Disclosure Document

**EXHIBIT A**

**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

## STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

### CALIFORNIA

Department of Business Oversight  
1 (866) 275-2677

#### *Los Angeles*

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013  
(213) 576-7505

#### *Sacramento*

1515 K Street, Suite 200  
Sacramento, California 95814-4052  
(916) 445-7205

#### *San Diego*

1350 Front Street  
San Diego, California 92101  
(619) 525-4044

#### *San Francisco*

One Sansome Street, Ste 600  
San Francisco, California 94104  
(415) 972-8559

### GEORGIA

Georgia Secretary of State  
Corporations Division  
2 Martin Luther King, Jr Drive  
Suite 315  
Atlanta, Georgia 30334  
(404) 651-8600

### HAWAII

(state administrator)

Business Registration Division  
Department of Commerce and Consumer Affairs  
P O Box 40  
Honolulu, Hawaii 96810  
(808) 586-2722

(agent for service of process)

Commissioner of Securities of the  
Department of Commerce and Consumer Affairs  
335 Merchant Street  
Honolulu, Hawaii 96813  
(808) 586-2722

### ILLINOIS

Franchise Bureau  
Office of the Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

### INDIANA

(state administrator)

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

(agent for service of process)

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

**MARYLAND**

(state administrator)

Office of the Attorney General  
Securities Division  
200 St Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner  
at the Office of the Attorney General  
Securities Division  
200 St Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

**MICHIGAN**

(state administrator)

Michigan Attorney General's Office  
Consumer Protection Division  
Attn Franchise Section  
G Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
(517) 373-7177

(agent for service of process)

Michigan Department of Commerce,  
Corporations and Securities Bureau  
P O Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

**MINNESOTA**

Minnesota Department of Commerce  
85 7th Place East, Suite 500  
St Paul, Minnesota 55101  
(651) 296-6328

**NEW YORK**

(state administrator)

New York State Department of Law  
Investor Protection Bureau  
120 Broadway 23<sup>rd</sup> Floor  
New York, New York 10271  
(212) 416-8000

(agent for service of process)

Secretary of State of New York  
99 Washington Avenue  
Albany, New York 12231

**NORTH DAKOTA**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol - Fifth Floor  
Bismarck, North Dakota 58505  
(701) 328-4712

**OREGON**

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

**RHODE ISLAND**

Department of Business Regulation  
Division of Securities  
John O Pastore Complex  
Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9645

## **SOUTH DAKOTA**

Division of Securities  
Department of Labor and Regulation  
124 S Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-4823

## **VIRGINIA**

(state administrator)

State Corporation Commission  
Division of Securities  
and Retail Franchising  
1300 East Main Street, Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

(agent for service of process)

Clerk of the State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9672

## **WASHINGTON**

(state administrator)

Department of Financial Institutions  
Securities Division  
P O Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

(agent for service of process)

Director  
Department of Financial Institutions  
Securities Division  
150 Israel Road, S W  
Tumwater, Washington 98501

## **WISCONSIN**

Securities and Franchise Registration  
Wisconsin Securities Commission  
345 West Washington Avenue, 4th Floor  
Madison, Wisconsin 53703  
(608) 266-3431

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**BARRE CODE FRANCHISOR, L L C**

**FRANCHISE AGREEMENT**

\_\_\_\_\_  
**FRANCHISE OWNER**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
**STUDIO ADDRESS**

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## **EXHIBITS**

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EXHIBIT D GUARANTY AND ASSUMPTION OF OBLIGATIONS  
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## FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 435 N LaSalle Blvd LL2, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“**you**” or “**your**”) as of the date signed by us and set forth opposite our signature on this Agreement (the “**Effective Date**”)

### **1 PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE**

#### **1A PREAMBLES**

(1) We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the establishment, operation and promotion of a barre-based fitness and workout studio concept under the name “The Barre Code” (“**Studios**”) Studios have a distinctive business format, methods, procedures, designs, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time

(2) We and our affiliates use, promote, and license others to use and promote certain trademarks, service marks, and other commercial symbols in operating Studios, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols to identify the Studios (collectively, the “**Marks**”)

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Studio offering the services and goods we authorize using our business formats, business system, methods, procedures, signs, designs, layouts, standards, specifications, and the Marks, all of which we may improve, further develop, or otherwise modify from time to time (the “**Franchise System**”)

(4) As a franchise owner of a Studio, you will comply with this Agreement and all System Standards (as defined in Section 4D) in order to maintain the high and consistent quality that is critical to attracting and keeping members for Studios and preserving the goodwill of the Marks

(5) You have applied and been approved for a franchise to own and operate a Studio and have provided us with certain information in support of your application

#### **1B ACKNOWLEDGMENTS**

You acknowledge that

(1) you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business that a Studio conducts may, and probably will, evolve and change over time,

(2) we do not guarantee the success of a Studio, and being part of the Franchise System does not alter the fact that an investment in a Studio involves business risks that could result in the loss of a significant portion or all of your investment,

(3) among other things, your business abilities and efforts are vital to your Studio (as defined in Section 1D),

(4) attracting members for your Studio will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising and networking, online and social media marketing, and display and use of promotional materials,

(5) retaining members for your Studio will require you to have high standards of quality and service,

(6) you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Studio,

(7) in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us,

(8) you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise,

(9) you have read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service and to protect and preserve the goodwill of the Marks,

(10) we have the right to restrict your sources of goods and services, as provided in various sections of this Agreement, including Section 8D below,

(11) we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our franchise disclosure document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement,

(12) you have been afforded an opportunity, and have been encouraged by us, to ask any questions you have and to review any materials of interest to you concerning this franchise opportunity,

(13) you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or elected not to do so, and

(14) you have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and you will have sufficient funds to meet all of your obligations under this Agreement

**1C CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

If you are a corporation, limited liability company, or general or limited partnership (collectively, an “**Entity**”), you agree and represent that

(1) You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation,

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions,

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date,

(4) Each of your owners during this Agreement’s term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached hereto as **Exhibit D**. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised **Exhibits A** to reflect any permitted changes in the information that **Exhibit A** now contains,

(5) You must identify on **Exhibit A**, one of your owners who is a natural person with at least a fifty-one percent (51%) ownership interest and voting power in you and who we have approved (the “**Operating Partner**”). We reserve the right to approve the Operating Partner. In the event that your Operating Partner ceases to own at least a fifty-one percent (51%) ownership interest and voting interest in you, you must recruit a new Operating Partner within thirty (30) days of the change in ownership and deliver to



us a revised **Exhibit A** to accurately identify the Operating Partner for our review and approval,

(6) If you are an Entity, you agree that the Operating Partner is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Agreement and any decision made by the Operating Partner will be final and binding upon you and we will be entitled to rely solely upon the decision of the Operating Partner in any such dealings without the necessity of any discussions with any other party, and we will not be held liable for any actions based on any decision or actions of the Operating Partner, and

(7) Your Studio will be the only business you operate unless otherwise approved by us (although your owners may have other, non-competitive business interests)

#### **1D GRANT AND TERM OF FRANCHISE**

Subject to this Agreement's terms, we grant you a franchise to operate a Studio ("your Studio") at the specific address and location identified on **Exhibit B** (the "Premises"), and to use the Franchise System in its operation (If the Premises has not been determined as of the Effective Date, the Premises shall be the site selected in accordance with Section 2A hereof, provided that the Premises shall be located within the geographical area set forth on **Exhibit B**) The term of this Agreement begins on the Effective Date and expires ten (10) years from that date, unless sooner terminated as provided herein

You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your Studio You may use the Premises only for your Studio You agree not to conduct the business of your Studio at any site other than the Premises In addition, you may not engage in any promotional or similar activities, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system except as provided in Section 9B and Section 9G

#### **1E TERRITORIAL RIGHTS WE RESERVE**

You acknowledge and agree that the franchise granted under this Agreement is non-exclusive You have no territorial protection and we (and our affiliates) retain all rights with respect to the placement of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities These rights include

(1) the right to establish and operate, and allow others to establish and operate, other Studios using the Marks and the Franchise System, at any location and on such terms and conditions we deem appropriate,

(2) the right to establish and operate, additional concepts or businesses providing products or services similar to those provided at Studios anywhere, under other

trade names, trademarks, service marks and commercial symbols different from the Marks,

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

(4) the right to acquire, or be acquired by, (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), a business providing products and services similar to those provided at Studios, even if such business operates, franchises and/or licenses Competitive Businesses (as defined in Section 7A), and

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

## **1F MODIFICATION OF FRANCHISE SYSTEM**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider to be best, in our sole opinion, to vary System Standards for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. We may choose not to authorize similar variations or accommodations to you or other franchise owners.

## **2 SITE SELECTION, LEASE OF PREMISES AND DEVELOPMENT AND OPENING OF THE STUDIO**

### **2A SITE SELECTION**

We must approve the Premises and you may operate your Studio only at the Premises. We may, but are not obligated to assist you with the site selection process. We may also require that you hire a service provider that we designate, which may be one of our affiliates, to assist you with the site selection process. If the location for the Premises is not specified on **Exhibit B** as of the Effective Date, then you will submit to us a complete report for a site you propose for your Studio and which you reasonably believe to conform to certain minimum site selection criteria we establish from time to time. Your site approval request package must contain the documents and information we require, including a description of the proposed site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We have the right to accept or not accept all proposed sites, including sites selected using the services of any of our designees, in our sole discretion. We will use reasonable efforts to accept or not accept the proposed site within thirty (30) days after receiving your site report. Upon our

approval of a site, and after you secure the site, we will insert its address on the cover page of this Agreement and into **Exhibit B**, and it will be the Premises

You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises, such recommendation or information is not a representation or warranty of any kind, express or implied, of the site's suitability for a Studio or any other purpose. Our recommendation indicates only that we believe that the site and location meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and locations might not accurately reflect the potential for all sites and locations, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site or location. The uncertainty and variability of these criteria are beyond our control, and we are not responsible if a site and location we recommend fails to meet your expectations. You acknowledge and agree that your acceptance of a site is based on your own independent investigation of the site's suitability for a Studio.

## **2B LEASE OF SITE**

You agree to obtain our written approval of your Studio's proposed site before signing any lease, sublease, or other document for the site. We also must approve the terms of a lease or sublease for the Premises (the "**Lease**") before you sign it. The Lease shall contain certain provisions we require, including collateral assignment of lease, pursuant to the form of lease addendum attached as **Exhibit E** hereto. You acknowledge that our approval of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Studio operated at the Premises. Our approval indicates only that we believe that the Premises and the Lease's terms meet our then-acceptable criteria. You must obtain our written approval of your Studio's proposed site for the Lease within one hundred twenty (120) days of the Effective Date. You must deliver to us a signed copy of the Lease within ten (10) days after its execution. If you have not received a Lease within one hundred twenty (120) days of the Effective Date, we may terminate this Agreement at our sole discretion.

You may not relocate your Studio to a location other than the Premises without our approval. If we allow you to relocate your Studio, the relocation will be subject to the site selection and lease provisions set forth above and will occur at your sole expense. In addition, you will be assessed a relocation fee of thirty percent (30%) of our then-current Initial Franchise Fee (as defined in Section 3A) for the services we provide in connection with your relocation, including reviewing and approving a new site and Lease, assisting with the design and construction of the new site. Notwithstanding the foregoing, if the relocation of the Studio is due to fire, casualty, or other circumstances outside of your control, the relocation fee shall be waived.

## **2C DEVELOPMENT AND CONSTRUCTION OF YOUR STUDIO**

You are responsible for developing the Premises of your Studio. We will give you mandatory and suggested specifications for your Studio, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the "**ADA**") or

similar rules governing public accommodations for persons with disabilities. It is your responsibility to confirm all required construction plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

You agree to retain, at your expense, an architect to produce development plans for your Studio. You also agree to obtain a minimum of three (3) construction bids from contractors before you begin construction on the Premises. We may recommend contractors, but you are not obligated to select the contractor that we recommend. However, we reserve the right to require you to use one of our approved architects. We may also require that you hire a service provider that we designate, which may be one of our affiliates, to assist you with the construction management process. You must send us your development and construction plans and specifications for review and approval before you begin constructing your Studio. You must send us any revisions of plans or specifications before such revisions are implemented. Our review is limited to ensuring your compliance with our design requirements and does not assess compliance with federal, state, or local laws and regulations, including the ADA. Ensuring that your Studio complies with these laws is your responsibility. We may inspect the Premises while you are developing your Studio.

Before your Studio's opening, you agree to do the following, at your own expense:

- (1) secure all financing required to develop and operate your Studio and acquire and maintain adequate capital reserves,
- (2) obtain all required building, utility, sign, health, sanitation, business, and other permits and licenses necessary to operate your Studio at the Premises,
- (3) construct all required improvements to the Premises and decorate your Studio according to plans and specifications approved by us and in accordance with the requirements of the Lease,
- (4) purchase or lease, and install, all required fixtures, furniture, equipment, components of the Computer System (as defined in Section 2E), furnishings, and signs (collectively, "**Operating Assets**") for your Studio,
- (5) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services, and
- (6) purchase an opening inventory of authorized and approved products, materials, and supplies to operate your Studio.

## **2D OPERATING ASSETS**

You agree to use in operating your Studio only those Operating Assets that we approve for Studios as meeting our specifications and standards for quality, design, appearance, function, and performance. You agree to place or display at your Studio (interior and exterior) only the signs, emblems, lettering, logos, and display materials that we approve from time to time. You

agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates)

## **2E COMPUTER SYSTEM**

You agree to obtain and use the computer hardware, sales and scheduling software, point-of-sale system and/or other operating software we specify from time to time (the “**Computer System**”) We may modify specifications for and components of the Computer System from time to time and you agree to implement our modifications within ninety (90) days after you receive notice from us We might periodically require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System You must pay for any additional or replacement proprietary software or technology that we, our affiliates or third-party designee licenses to you and for other maintenance and support services that we, our affiliates or a third-party designee provides during this Agreement’s term Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement’s remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support

At least eight (8) weeks before your Studio opens, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly You agree that we or our affiliates may condition the license of any additional or replacement proprietary software to you, or your use of additional technology that we or our affiliates develop or maintain, on your signing the form of license agreement or similar document that we or our affiliates prescribe at such time to regulate your use of, and our and your respective rights and responsibilities with respect to, such additional or replacement software or technology You acknowledge and agree that the Computer System may give us and our affiliates independent, unlimited access to all information generated by the Computer System, including, polling, price maintenance, Membership Information (as defined in Section 6) and payroll information At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data

Despite the fact that you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for (1) the acquisition, operation, maintenance, and upgrading of the Computer System, (2) maintaining connectivity of your Computer System (including the point-of-sale system) at all times, (3) the manner in which your Computer System interfaces with our and any third party’s computer system, and (4) any and all consequences if the Computer System is not properly operated, maintained, and upgraded

## **2F PRE-OPENING MEMBERSHIP SALES**

Subject to applicable law, you will begin to offer and sell Memberships (as defined in Section 8C) before the Opening Date (defined in Section 2G below) of your Studio These sales are referred to as “**Pre-Opening Membership Sales**” You must begin Pre-Opening Membership Sales within five (5) business days after you receive our approval of your

development and construction plans Prior to opening your Studio for business, you agree to obtaining a minimum of Pre-Opening Membership Sales that will be determined by you and us based on various factors including, but not limited to those surrounding your specific market requirements We may suggest or amend such required minimums from time to time, in our sole discretion As described in Section 8, you must comply with this Agreement and all System Standards in the Pre-Opening Membership Sales process You assume all risks, responsibilities and liabilities associated with Pre-Opening Membership Sales, and you agree to indemnify and hold us harmless from any claims associated with such activities as set forth in Section 16D of this Agreement

## **2G STUDIO OPENING**

You agree not to open your Studio until

(1) we notify you in writing that your Studio meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that your Studio complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, laws, ordinances, rules, regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies),

(2) you (or your Operating Partner) and your Master Trainer (as defined in Section 8F), satisfactorily complete the Owner Training and Instructor Training, as applicable (each as defined in Section 4A),

(3) you pay the Initial Franchise Fee and all other amounts then due to us,

(4) you give us certificates for all required insurance policies (as described in Section 8G),

(5) your instructors have completed all training we require for instructors and obtained any certification we may require,

(6) you obtain the required supplies and opening inventory for your Studio, and

(7) you meet all regulatory requirements, including all state and local professional regulations

Subject to your compliance with these conditions, you agree to open your Studio for full use by members within either (i) 180 days after Lease approval or (ii) 270 days after the Effective Date, whichever occurs firsts The date that your Studio first opens for business shall be referred to herein as the **"Opening Date"**

### 3 FEES

#### 3A INITIAL FRANCHISE FEE

You agree to pay us a nonrecurring, nonrefundable initial franchise fee in the amount of Forty-Nine Thousand Five Hundred Dollars (\$49,500) (the “**Initial Franchise Fee**”) This fee is due, and fully earned by us, when you sign this Agreement You must pay us the Initial Franchise Fee by wire transfer of immediately available funds to an account we designate, or by any other method we specify

#### 3B ROYALTY FEE

You agree to pay us on the day of the week that we specify from time to time, in the manner provided below (or as the Operations Manual otherwise prescribes), a weekly royalty fee (the “**Royalty**”) equal to

(1) For the first twenty-four (24) weeks after the Opening Date, six percent (6%) of your Studio’s Gross Sales during the preceding week, and

(2) Thereafter, six percent (6%) of your Studio’s Gross Sales during the preceding week, provided, however, that when your final Royalty payment is calculated for each calendar month, if the total amount of Royalty payable by you that month will be less than \$500 per month (if your Studio has one classroom) or \$1,000 per month (if your Studio has two classrooms), you pay us the difference in one lump-sum at the same time you pay us the Royalty for the first week of the subsequent month

For purposes of this Agreement, “**Gross Sales**” means all revenue or other consideration that you receive, directly or indirectly, from operating your Studio (including Pre-Opening Membership Sales), including, all revenue or other consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions Gross Sales includes the proceeds of any business interruption insurance or similar insurance

If we authorize or require participation in online group-bought deals (e.g. Groupon or Living Social), gift certificate and/or gift card programs, the payments you receive for those online group-bought deals, gift certificates or gift cards shall be included in Gross Sales in accordance with our then current guidelines for calculating Gross Sales, which may include calculating the amount of the payment you received for such certificate, card or deal at the time of its sale

Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from members and paid to the appropriate taxing authority

#### 3C WEEKLY FEES

You agree to pay us a total of \$56.40 on a weekly basis These weekly fees include your MindBody subscription, routines, playlists Barre Code specific email account subscription,

intranet portal, and IT services and maintenance. We will begin assessing this weekly fee upon execution of your lease. We will reduce the cost of the MindBody subscription from this fee until you have set up your MindBody account, typically six to eight (6-8) weeks prior to Grand Opening. Upon Grand Opening, these fees will be collected and assessed along with your Royalties on a weekly basis. You acknowledge that these fees are subject to change based on amendments by third parties utilized for these services, of which are outside of Franchisor's control. Franchisor agrees to provide a minimum of thirty (30) days notice if fees are subject to change.

### **3D INTEREST ON LATE PAYMENTS**

All amounts which you owe us for any reason, will bear interest accruing as of their original due date at one and one half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for service charges and interest. You acknowledge that this Section 3C is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your Studio.

### **3E APPLICATION OF PAYMENTS**

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

### **3F METHOD OF PAYMENT**

You must make all payments due under this Agreement in the manner we designate and you agree to comply with all of our payment instructions. You hereby authorize us and/or any third party we designate to debit your business checking account automatically for any or all amounts due under this Agreement (the "**EFT Authorization**"). You agree to execute and deliver to us any document(s) we require to evidence the EFT Authorization. The EFT Authorization will remain in full force and effect during the term of this Agreement. We or our designee will debit the business account you designate in the EFT Authorization for amounts you owe us on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals. You shall pay us a fee of One Hundred Dollars (\$100) each time we attempt to debit your business account and we receive a notice of insufficient funds.

We may receive information regarding your Gross Sales through our access to the Computer System or we may require you to submit weekly Gross Sales reports in the format we require. If we ever stop having access to this information, and you fail to report your Studio's Gross Sales when due, then for each payment calculated based on Gross Sales, we may debit your business account one hundred ten percent (110%) of the average of the last three (3) applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your Studio's true and



correct Gross Sales), we will debit your business account for the balance on the day we specify. If the amounts that we debit from your business account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

## **4 TRAINING AND ASSISTANCE**

### **4A INITIAL AND ONGOING TRAINING**

(1) **Pre-Opening Training** Before your Studio opens, your Studio will need to have one person who is dedicated to executing your Studio's Founding Instructor Training ("FIT"). This person, which can be you (or your Operating Partner), will be trained and certified in The Barre Code's Performance Expectation, format offerings, and Training Standards. This person will be referred to as the Instructor Trainer ("IT") for your Studio. Such IT will need to be approved through The Barre Code HQ's Training Team by undergoing an audition and interview prior to being hired by you (or your Operating Partner).

The IT will need to have the skills necessary to be both an instructor, and an instructor trainer, as determined by The Barre Code HQ's Training Team and outlined in The Barre Code Instructor Trainer role description located on our web portal, The Core. If the IT is neither you nor your Operating Partner (if applicable), you will need to participate in the product-specific sections of the Trainer Training in order to gain a comprehensive understanding of The Barre Code's product and feedback standards to ensure ongoing product quality at your Studio.

The pre-opening training entails a Trainer Training for you (or your Operating Partner), and/or your IT and one (1) Founding Instructor Training Intensive ("FIT") for you (or your Operating Partner), your IT, and up to five (5) additional persons of your choosing. These individuals will make up your initial instructor team. There is no additional fee for the pre-opening training, but you are responsible for the costs associated with your IT and/or your (or your Operating Partner's) attendance and living expenses, and/or the HQ Training Team's attendance, including travel accommodations, living expenses, and per diem. We will work with you to determine the identity and composition of the persons consisting of your initial training team who will be conducting all portions of this pre-opening training program. We may deny or disapprove individuals from your initial training team at our sole discretion. Such discretion is based on aptitude, skill set, availability, attitude, and any other factors that we may determine from time to time.

(2) **Pre-Opening Training Timeline Considerations** We will vary the length and content of the entire training program based upon the experience and skill level of the individual(s) participating in the training program. We may also establish additional training requirements, which the attendees will be expected to meet within timelines established by the HQ Training Team, including study of provided materials, participating in mandatory exams, and any other factors we may determine from time to time, in order to successfully complete the training program.

As stated above, the duration of the Trainer Training process will vary based on (i) the IT's aptitude to teach The Barre Code's class formats in accordance with The Barre Code's Performance Expectations, and (ii) the IT's ability to swiftly and successfully complete the required training materials as assigned by the HQ Training Team

(3) **Trainer Training** Before your Studio opens, the IT will undergo an intensive pre-opening Trainer Training program that covers (i) how to instruct The Barre Code's class formats, and (ii) how to lead The Barre Code's FIT process in accordance with The Barre Code's product and training standards. This Trainer Training process will combine independent study courses, remote training sessions with members of HQ's Training Team, and at a minimum, 1 trip to a training facility that we designate to train intensively with a certified Senior Master Trainer from HQ's Training Team.

Through the duration of Trainer Training, HQ's Training Team will provide the IT the necessary components in order to (i) instruct the Barre Code format and at least 1 cardio format in accordance with The Barre Code's Performance Expectations, (ii) plan a FIT as outlined in the Trainer Handbook, (iii) host FIT auditions as outlined in the Trainer Handbook, (iv) lead FIT sessions as outlined in the Trainer Handbook, and (v) provide training and feedback in accordance with The Barre Code's Training Standards. Should we determine that the IT is unable to perform any of the sections of the FIT training timeline in accordance with our training standards, we may require these portions to be led by an HQ certified Senior Master Trainer, and we may charge you an additional training fee of \$1,000 per day (8-hour day) or \$300 per hour, plus expenses, or any other amount we designate in the Trainer Handbook (collectively, the "Additional Training Fee"). This additional training will be provided at our offices in Chicago, Illinois, or a designated training facility location of our choosing.

(4) **Founding Instructor Training ("FIT") Details** You are responsible for providing a training program that we designate for all your instructors and team members other than the attendees of the pre-opening training program who we train. The HQ Training Team will outline the designated training program within the then-current edition of the Trainer Handbook. All team members must satisfactorily pass this training program before providing services at your Studio.

The one in-person FIT intensive is included with your initial training fee. The FIT intensive will consist of 20+ hours of training either in Chicago, Illinois, or at a designated training facility at a location of our choosing. We will focus on in-person instructor training on up to 2 class formats per attendee. *Please note that you (or your Operating Partner), and/or your IT will not receive feedback during the FIT intensive. There is a maximum of 5 trainees who may attend, receive feedback, and work during FIT weekend.*

We will certify instructors based on various criteria which we may change at our sole discretion from time to time based on our Performance Expectations. We require that

you (or your Operating Partner), your IT, and all other instructors become certified through us before teaching at your Studio

Upon successful completion of training, all certification applicants must apply for certification in accordance to the then-current certification submission process that may be found in the Trainer Handbook. Should your FIT intensive occur in conjunction with your preview week(s), all certification applicants will have the option to apply for certification in-person. If an instructor does not apply for certification during this time or does not pass in accordance with our Performance Expectations, the instructor will need to submit for certification in accordance to our then-current certification submission process found in the Trainer Handbook. Certification for your initial instructor team up to 2 class formats is included in the initial training fee. Should any of these initial instructors not pass their training mocks for submission, such resubmission will incur a \$50 fee. If an initial instructor enrolls in more than 2 class formats, each certification beyond those original 2 will incur a \$75 charge per each additional format.

(5) **Additional and Ongoing Training Considerations** If we do not feel that you (or your Operating Partner) and/or your IT have completed the pre-opening Trainer Training program according to our training standards, we may require these individuals to attend additional training, and we may charge you the Additional Training Fee. This additional training will be provided at our offices in Chicago, Illinois, or a designated training facility location of our choosing. If you (or your Operating Partner), your IT or, if required by us, any team members or instructors, are unable to satisfactorily complete the additional training class, we may terminate the Franchise Agreement.

You (or your Operating Partner) or your IT may request additional training at the end of the pre-opening training program if your attendees do not feel sufficiently trained in the operation of a Studio. We and you will jointly determine the duration of this additional training. Please note that scheduling this additional training will be subject to availability. We may charge you the Additional Training Fee for this additional training. However, if your attendees satisfactorily complete our initial training program and have not expressly informed us at the end of the program that they do not feel sufficiently trained in the operation of a Studio, then you and they will be considered to have been trained sufficiently in to operate a Studio with the successful completion of mock classes.

If we determine that you (or your Operating Partner), your IT, or, if required, any team member or instructor, is not properly trained to provide the services offered at your Studio, we will require any such individual to cease providing services at your Studio and/or to be trained by one of our trainers at our then-current Additional Training Fee. Any instructor who is found teaching without explicit certification by us or is teaching unsanctioned material, they will be fined \$500 per occurrence.

If at any time you appoint a new Operating Partner or IT, he or she must attend the then-current Trainer Training program within 30 days of the date of appointment and you must pay us our then-current Additional Training Fee. Any instructor, who is not apart of the initial instructor team will be charged \$200 for the review of their

certification submission. This fee will cover the new instructor's initial submission in their primary format. If any new instructor enrolls in more than 2 format certification programs simultaneously, or if any instructor enrolls in any certification program after the initial enrollment, we will charge an additional fee of \$75 per submission for each additional format certification. Should an instructor not pass a submission at any time, they will be allowed to resubmit for certification at the cost of \$50 per submission.

We may require you (or your Operating Partner), your IT, or any other instructor of your Studio to attend various training courses, trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us. Besides attending these courses, you (or your Operating Partner) and your IT must attend an annual meeting of franchisees and/or regional meetings of franchisees. These meetings will be held at our discretion in a location that we designate. However, any attendance at any additional training courses, program or events, or any annual or regional franchisee meetings will not be required for more than 4 days during any calendar year. You must pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner), your IT, or any instructor or team member incurs during any pre-opening training program, any additional training, or at any meetings and/or other training courses and programs. You are responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio, if applicable, to conduct any additional training, including food, lodging, and transportation.

You understand that any specific ongoing training or advice we provide does not create an obligation for us to continue to provide this specific training or advice, all of which we may discontinue and modify (Franchise Agreement - Section 4A).

#### **4B INTENTIONALLY OMITTED**

#### **4C GENERAL GUIDANCE**

We may advise you from time to time regarding your Studio's operation based on your reports or our inspections and may guide you with respect to (1) standards, specifications, and operating procedures and methods that Studios use, including, facility appearance, guest service procedures, and quality control, (2) equipment and facility maintenance, (3) inventory management and working with national suppliers, (4) advertising, marketing and branding strategies, (5) administrative, accounting, reporting and record retention. Such guidance will be furnished in the form of our operations manual for the operation of Studios (collectively, the "**Operations Manual**"), which may include one or more separate manuals, as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, bulletins and/or other written materials. We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our

then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit the Premises and evaluate your Studio.

#### **4D OPERATIONS MANUAL**

We will make one (1) copy of our Operations Manual available to you during the term of this Agreement. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating a Studio and information on your other obligations under this Agreement ("**System Standards**"). We may modify the Operations Manual periodically to reflect changes in System Standards.

If there is a dispute over its contents, our master copy of the Operations Manual shall control. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than any employee or instructor who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

At our option, we may post some or all of the Operations Manual on a restricted website or extranet to which you will have access. If we do so, you agree to monitor and access the website or extranet for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 6 below).

If we provide the Operations Manual on a website, you may still request a hard copy of the Operations Manual. If we elect to provide you a hard copy of the Operations Manual, we reserve the right to charge you a fee equal to the cost of printing, copying or shipping the hard copy to you. If we provide you a hard copy of the Operations Manual, you agree to keep your copy of the Operations Manual current and in a secure location at your Studio.

#### **4E DELEGATION OF PERFORMANCE**

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

### **5 MARKS**

#### **5A OWNERSHIP AND GOODWILL OF MARKS**

Barre Code IP, LLC (the "**Trademark Owner**") has licensed the Marks to us to use in connection with the franchising, development, and operation of Studios. Your right to use the Marks is derived only from this Agreement and limited to your operating your Studio according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes the Trademark Owner and our rights in

the Marks. You acknowledge and agree that any unauthorized use of the Marks will cause us and Trademark Owner irreparable harm for which there is no adequate remedy at law and will entitle us and Trademark Owner to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and Trademark Owner's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Studio under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or our and Trademark Owner's ownership, of the Marks.

## **5B LIMITATIONS ON YOUR USE OF MARKS**

You agree to use the Marks to identify your Studio and to identify yourself as the independent owner of your Studio in the manner we prescribe. You have no right to sublicense or assign your right to use the Marks. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a website, (5) in any user name, screen name or profile in connection with any social networking sites, such as, but not limited to LinkedIn®, Twitter®, Facebook®, Instagram® or YouTube®, except in accordance with our guidelines set forth in the Operations Manual or otherwise consented to in writing from time to time, and (6) in any other manner that we have not expressly authorized in writing. Except in conjunction with the Franchise System Website (as defined in Section 9G) or with our prior written consent, you may not use any Mark as part of any domain name, homepage, electronic address, or otherwise in connection with a website and then only on the terms we specify.

You may not use any Mark in advertising the transfer, sale, or other disposition of your Studio or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at your Studio and on forms, advertising, supplies, employee uniforms and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

## **5C NOTIFICATION OF INFRINGEMENTS AND CLAIMS**

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and/or the Trademark Owner may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or

otherwise to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

#### **5D DISCONTINUANCE OF USE OF MARKS**

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We are not required to reimburse you for any costs or expenses associated with making such changes, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Section 5D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

#### **5E INDEMNIFICATION FOR USE OF MARKS**

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and/or the Trademark Owner may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

#### **5F OWNERS BOUND**

Unless otherwise specified, each and every one of your obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities, set forth in this Section 5, shall also apply to each of your owners.

### **6 CONFIDENTIAL INFORMATION**

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "**Confidential Information**"), relating to developing and operating Studios, including

- (1) training and operations materials and manuals, including the Operations Manual,
- (2) the System Standards and other methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Studios,
- (3) market research, promotional, marketing and advertising strategies and programs for Studios,
- (4) strategic plans, including expansion strategies and targeted demographics,

(5) knowledge of, specifications for and suppliers of, and methods of ordering, Operating Assets and other products and supplies,

(6) any computer software or similar technology which is proprietary to us or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology,

(7) knowledge of the operating results and financial performance of Studios other than your Studio,

(8) information generated by, or used or developed in, your Studio's operation, including information relating to members such as member names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information and related information ("**Membership Information**"), and any other information contained from time to time in the Computer System, and

(9) any other information designated as confidential or proprietary by us

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Studio during this Agreement's term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you and your owners

(a) will not use Confidential Information in any other business or capacity,

(b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter,

(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form,

(d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Studio personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information in the form attached as **Exhibit C**. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights, and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly, which, at the time that we disclosed it to you, already had lawfully become generally known through publication or communication by others (without violating an obligation to us or



our affiliates), or which, after we disclose it to you, lawfully becomes generally known through publication or communication by others (without violating an obligation to us or our affiliates) However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled

All Membership Information will be owned by us You agree to (1) use Membership Information only for the promotion of your Studio during the term hereof and (2) refrain from selling Membership Information to third parties You will comply with all applicable laws governing the use, protection, and disclosure of Membership Information If there is a suspected or actual breach of security or unauthorized access involving Membership Information, you will notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Membership Information was compromised or disclosed

All ideas, concepts, techniques, or materials relating to a Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us To the extent that any item does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item

## **7 EXCLUSIVE RELATIONSHIP DURING TERM**

### **7A COVENANTS AGAINST COMPETITION**

You acknowledge that we have granted you a franchise in consideration of and reliance upon your agreement to deal exclusively with us You therefore agree that, during this Agreement's term, neither you, any of your owners, nor any of your or your owners' immediate family members will

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

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

(c) divert or attempt to divert any actual or potential business or member of your Studio to a Competitive Business,

(d) employ or seek to employ any person who is employed by us, our affiliates or by any other Studio franchise owner nor induce nor attempt to induce any

such person to leave said employment without the prior written consent of such person's employer, or

(e) engage in any other activity which might injure the goodwill of the Marks and Franchise System

You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

The term "**Competitive Business**" means any business (excluding any Studios operated under a franchise agreement with us or our affiliate) operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes.

## **7B NON-SOLICITATION AND NON-INTERFERENCE**

You further agree that, during the term of this Agreement, neither you, any of your owners, nor any of your or your owners' immediate family members will

(1) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, by any of our affiliates, or by a Studio franchise owner without our consent or that of the relevant employer, or

(2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any members, vendors, or consultants.

## **7C NON-DISPARAGEMENT**

You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, the "The Barre Code" brand, the Franchise System, any Studio, any business using the Marks, or (ii) take any other action which would, directly or indirectly, subject the "The Barre Code" brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us or the "The Barre Code" brand.

## **8 SYSTEM STANDARDS**

### **8A CONDITION AND APPEARANCE OF YOUR STUDIO**

During the term of this Agreement you must regularly clean, repaint and repair the interior and exterior of the Premises, repair or replace damaged, worn out or obsolete Operating Assets and otherwise maintain the condition of your Studio, the Premises and the Operating

Assets to meet the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service and pleasant ambiance

You will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve

If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises of your Studio or the Operating Assets does not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten (10) days after you receive our notice, and then do not continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, we have the right, in addition to all other remedies, to enter the Premises of your Studio and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in maintaining or refurbishing the Premises on your behalf

## **8B APPROVED PRODUCTS AND SERVICES**

You agree that (1) your Studio will offer the products and services that we specify from time to time, including all fitness classes specified by us as part of the Franchise System (the "**Curriculum**"), (2) your Studio will offer and sell approved products and services only at the Premises and in the manner we have prescribed and will not sell any products or services wholesale or through alternative channels of distribution (including, but not limited to, the Internet or retail stores), (3) you will not offer for sale or sell at your Studio, the Premises or any other location any products or services we have not approved, (4) you will discontinue selling and offering for sale at your Studio any products or services that we at any time decide (in our sole discretion) to disapprove in writing, and (5) your Studio will provide services and sell products only on the days and during the hours approved by us

If, at any time (including after our initial approval), we determine that you fail to meet our specifications and standards in connection with the provision of any products or services, including the Curriculum, we may permanently or temporarily terminate your right to offer such products or services, provided that nothing contained herein shall be deemed a waiver of our right to terminate pursuant to Section 14 hereof

## **8C MEMBERSHIPS**

You will offer and sell rights of access to your Studio, referred to as a "**Membership**" or "**Memberships**". All Memberships must be evidenced by a written agreement (a "**Membership Agreement**") and may not be for a term that extends beyond the expiration of this Agreement. When selling Memberships, you will use the form of Membership Agreement that we will provide to you, and you will not make any modifications in the forms without our prior written consent. Notwithstanding the foregoing, you acknowledge that you are responsible for ensuring that the Membership Agreements comply with all applicable laws and you may modify the Membership Agreements to the extent necessary to comply with such applicable laws, provided that you provide us with immediate notice of all such modifications. You acknowledge and

agree that, subject to the preceding sentence, any Membership Agreement that has been modified without our consent shall be void. We may modify the types and terms of Memberships to be offered (except pricing terms), terminate your right to offer certain types of Memberships, and/or approve or require other types of Memberships for sale.

You will only offer for sale the Memberships in strict compliance with System Standards and our standards, policies and procedures. If we authorize you to sell Memberships, you will nevertheless be responsible to determine that you may do so under all laws and regulations applicable to your Studio and you agree that you will fully comply with all such laws and regulations. We may suspend, revoke or terminate your right to offer Memberships at any time.

You agree to comply with the System Standards we establish from time to time regarding Memberships. These System Standards may regulate, among others, the following topics: (1) the types and terms of Memberships you may offer, (2) the form(s) of Membership Agreement, (3) the terms and conditions upon which a member may transfer his Membership from your Studio to another Studio and vice versa, (4) admission of members of your Studio to other Studios, (5) procedures to follow when members transfer to or from your Studio, (6) use and acceptance of coupons, passes, and certificates, (7) group accounts and group Memberships (and discounts applicable thereto), (8) payment terms for Memberships, and (9) a minimum Royalty for Memberships or other payments based on revenue derived from the sale of Memberships.

You agree, upon notice from us, to accept any Memberships we assign to you, and, if we so require, to honor those Memberships on the terms and conditions of the existing Membership agreement, and to accept as remuneration only such payments as accrue pursuant to the applicable Membership agreement from the time of assignment.

We may contact any member(s) of any Studio at any time for any purpose. Also, if we are contacted by a member of your Studio, who wishes to lodge a complaint we will first refer the person to you. However, if you cannot satisfy the needs of the complaining person, we reserve the right to address the person's complaints in order to preserve good will and prevent damage to the Marks. Our right to address complaints may include refunding money to the complaining person, in which case you must reimburse us for these amounts.

At our request from time to time, you must send us a list of your members and all other Membership Information we specify. You agree that we own all Membership Information, that it comprises part of the Confidential Information which you are licensed to use under this Agreement, and that we may use Membership Information in our and their business activities and may disclose Membership Information (such as the number of members), but during the term of this Agreement we will not publicly disclose any Membership Information unless we make such public disclosure without disclosing your identity or your Studio's Membership Information on an individual (i.e., unconsolidated) basis. Upon termination of this Agreement, we reserve the right to make any and all disclosures that we deem necessary or appropriate.

We reserve the right to establish a reciprocity program between your Studio and other Studios. You must comply with all standards and requirements of any reciprocity program as we may implement and periodically modify.

## **8D APPROVED DISTRIBUTORS AND SUPPLIERS**

We may designate, approve or develop standards and specifications for manufacturers, distributors and suppliers of products and services, which may be us or our affiliates (collectively, “suppliers”) You must purchase the products and services we periodically designate only from the suppliers we prescribe and only on the terms and according to the specifications we approve

We may concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or services for any group of Studios franchised or operated by us or our affiliates We may also designate a single supplier for any product, service, Operating Asset, or other material and may approve a supplier only as to certain products You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases (including from charging you for products and services we or our affiliates provide to you and from promotional allowances, rebates, volume discounts and other payments, services or consideration we receive from suppliers that we designate or approve for some or all of our franchise owners) We and/or any of our affiliates may use such revenue or profit without restriction

Approval of a supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time

If you would like to purchase or use any products, services, supplies or materials from any unapproved supplier, you must submit to us a written request for approval of the proposed supplier prior to purchasing any such products, services, supplies or materials We reserve the right to charge you a fee (not to exceed the reasonable cost of the research and inspection and the actual cost of the test) to make the evaluation We have the right to inspect the proposed supplier’s facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier If we fail to respond within sixty (60) days, your request will be deemed denied We may, in our sole discretion, elect to withhold approval of the supplier You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if we already have designated an exclusive supplier for material proposed to be offered by the new supplier We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in the Studios

## **8E COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES**

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your Studio and must at all times operate your Studio in full compliance with all applicable laws, ordinances and regulations You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations (including, without

limitation, government regulations relating to truth in lending, fitness studios, safety and sanitation, fitness memberships, truth in advertising, occupational hazards, health and anti-discrimination laws), Executive Orders or otherwise relating to anti terrorist activities (including the U S Patriot Act, Executive Order 13224, and related U S Treasury and/or other regulations) In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Studio as may be required by us or by law You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>) You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 16D pertain to your obligations hereunder

Your Studio must in all dealings with its members, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Studios You must notify us in writing within five (5) days of the threat of or commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of your Studio and of any notice of violation of any law, ordinance, or regulation relating to your Studio

## **8F MANAGEMENT OF YOUR STUDIO**

You must identify on **Exhibit A**, a natural person who we have approved and who is fully trained and qualified to teach the Curriculum and to supervise the training and performance of all other instructors teaching at your Studio (the “**Master Trainer**”) If you (or your Operating Partner) meet the criteria of the Master Trainer, you (or your Operating Partner) may serve as the Master Trainer, provided that such person shall comply with all requirements applicable to the Master Trainer under this Agreement We reserve the right to approve the Master Trainer In the event that your Master Trainer ceases to work full-time at your Studio, you must recruit a new Master Trainer within thirty (30) days of the change in ownership and deliver to us a revised **Exhibit A** to accurately identify the Master Trainer for our review and approval

You (or your Operating Partner) and your Master Trainer are responsible for the management, direction and control of your Studio, subject to the terms and conditions of this Agreement Your Master Trainer must work full-time at your Studio, supervise all training and instruction related to the Curriculum and continuously exert his or her best efforts to promote and enhance your Studio You (or your Operating Partner) must supervise the day-to-day operations of your Studio but need not work full-time at your Studio, unless acting as the Master Trainer Your Studio must always be under the direct on-site supervision of you (or your Operating Partner) or your Master Trainer

You (or your Operating Partner), your Master Trainer and, if required by us, any other employees or instructors, must complete all required training to our satisfaction In the event you appoint a new Operating Partner or Master Trainer after you open your Studio, such

Operating Partner or Master Trainer must complete the Owner Training and Instructor Training, as applicable, described in Section 4A within thirty (30) days after the appointment date. We reserve the right to provide additional training at your expense if we determine, in our sole discretion, that a sufficient level of training has not been provided.

## **8G INSURANCE**

During the term of this Agreement you must maintain in force at your sole expense comprehensive public liability, general liability, personal injury liability, motor vehicle liability, property, product liability, workmen's compensation, commercial liability umbrella and other types of insurance we require, including the types and minimum amounts of insurance specific to fitness and workout studios. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Studio's operation or activities of your personnel in the course of their employment (within and outside your Studio and the Premises). All of these policies must contain the minimum coverage we prescribe from time to time, and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). Each insurance policy must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but need not) obtain such insurance for you and your Studio on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

## **8H PRICING**

We may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. If we impose a maximum price for any product or service, you may not charge more for the product or service than the maximum price we impose. If we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or

below the suggested retail price unless we impose a maximum price or minimum price for such product or service

## **8I COMPLIANCE WITH SYSTEM STANDARDS**

You acknowledge and agree that operating and maintaining your Studio according to System Standards is essential to preserve the goodwill of the Marks and all Studios. Therefore, you agree at all times to operate and maintain your Studio according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the Franchise System's or your best interests. If you (or your Operating Partner) fail to comply with System Standards in relation to the operation and maintenance of your Studio, you will be in default of your Agreement and will have a right of thirty (30) days to cure such default. We reserve the right to terminate this Agreement if you, your Master Trainer, and Operating Partner fail to cure the default after the allotted period.

Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you (or your Operating Partner) and your Master Trainer retain the right to and responsibility for the day-to-day management and operation of your Studio and implementing and maintaining System Standards at your Studio.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Sections 8A through 8H above:

- (1) amounts and types of equipment and inventory requirements for products and supplies so that your Studio may operate at full capacity,
- (2) sales, marketing, advertising, and promotional programs and materials and media used in these programs,
- (3) the offer and sale of Memberships, both before your Studio is fully open and thereafter,
- (4) the classes, programs and methods of instruction that will be included in the Curriculum,
- (5) use and display of the Marks at your Studio and on uniforms, labels, forms, paper, products, and other supplies,
- (6) issuing and honoring gift cards, gift certificates and similar items,
- (7) staffing levels for your Studio, identifying your Studio's personnel, and employee qualifications, training, dress, and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions),
- (8) days and hours of operation,



- (9) customer service standards and policies,
- (10) minimum educational background, credentials and skill levels of employees and instructors performing services at your Studio,
- (11) annual participation in continuing education in relation to the Master Trainer conference and Owner's convention,
- (12) participation in market research and testing and product and service development programs as well as participation in, and dues assessed for, advisory councils,
- (13) accepting credit and debit cards, other payment systems, and check verification services,
- (14) bookkeeping, accounting, data processing, and recordkeeping systems and forms, formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition, and giving us copies of tax returns and other operating and financial information concerning your Studio, and
- (15) any other aspects of operating and maintaining your Studio that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Studios

You agree that System Standards we prescribe in the Operations Manual, or otherwise communicate to you in writing or another tangible form (for example, via a Franchise System extranet or website), are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

## **8J VARIATION AND MODIFICATION OF SYSTEM STANDARDS**

We may permit variations in the System Standards as we deem advisable, including variations to accommodate local or regional differences and/or distinctions between Studios owned by us and Studios owned by franchisees. We periodically may modify System Standards, and these modifications may obligate you to invest additional capital in your Studio and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling your Studio, buying new Operating Assets, adding new products and services, adding personnel or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

## **8K EMPLOYEES, AGENTS & INDEPENDENT CONTRACTORS**

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Studio. You agree that any employee, agent or independent contractor that you hire will be your employee, agent or independent contractor, and not our employee, agent or independent

contractor You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision You agree to manage the employment functions of your Studio in compliance with federal, state, and local employment laws

We reserve the right to require that any employee, agent or independent contractor that you hire execute a non-disclosure and non-competition agreement to protect the Confidential Information We reserve the right to regulate the form of non-disclosure and non-competition agreement that you use (including by requiring you to use the agreement attached as Exhibit C) and to be a third party beneficiary of those agreements with independent enforcement rights You acknowledge that any form of non-disclosure and non-competition agreement that we require you to use, provide to you, or regulate the terms of (including the agreement attached as Exhibit C) may or may not be enforceable in a particular jurisdiction You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that your employees, agents and independent contractors sign

## **9 MARKETING**

### **9A PRE-OPENING ADVERTISING**

You will conduct an advertising program before you begin Pre-Opening Membership Sales You agree to comply with our guidelines for this pre-sale advertising program and conduct the pre-sale advertising program in accordance with our specifications and standards and pursuant to a pre-sale advertising plan which you will prepare and submit to us for approval at least sixty (60) days before you begin Pre-Opening Sales of Memberships

Additionally, you agree to spend at least Five Thousand Dollars (\$5,000) for a grand opening marketing program for your Studio to take place during the period beginning a minimum of two (2) weeks before your Opening Date and ending six (6) weeks after your Opening Date ("**Grand Opening Period**") You agree to comply with our guidelines for this grand opening marketing program and conduct the grand opening marketing program in accordance with our specifications and standards and pursuant to a grand opening marketing plan which you will prepare and submit to us for approval at least sixty (60) days prior to your Opening Date

We may require you to use the advertising, marketing and/or public relations programs, firms, media and materials we approve for your pre-sale advertising program and/or your grand opening advertising program

### **9B LOCAL ADVERTISING EXPENDITURE**

You agree to advertise with at least two (2) recommended classified online directories (such as Yelp,<sup>®</sup> CitySearch,<sup>®</sup>, Google<sup>®</sup> Local or Yahoo!<sup>®</sup> Local) and any other free advertising medium we determine, each in the business classifications we prescribe from time to time and using an approved form of advertisement If other Studios are located within the directory's

distribution area, we may require you to participate in a collective online advertisement with those other Studios and to pay your share of the cost of that collective advertisement

Subject to Section 9F below, you agree to spend the greater of \$500 or one percent (1%) of your Studio's Gross Sales per month to advertise and promote your Studio (this may include the costs of online directory advertising) (the "**Local Advertising Expenditure**") Upon our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months

We reserve the right, upon sixty (60) days prior notice, to issue you a notice that all or part of the Local Advertising Expenditure shall instead be paid to us or our designee If we exercise this option, we will contribute the collected amount to the Marketing Fund (as defined in Section 9D) in accordance with Section 9D below We may also elect, on one or more occasions and without prejudice to our rights to issue further notices, to temporarily or permanently cease collecting all or part of the Local Advertising Expenditure, and instead require you to spend the portion of the Local Advertising Expenditure not collected in accordance with this Section 9B

## **9C ADVERTISING BY YOU**

Any advertising and promotion conducted by you with respect to your Studio must follow our guidelines All advertising and promotional materials that you develop for your Studio must contain notices of the domain of our Franchise System Website (as defined in Section 9G below) in the manner we designate You agree that your partnership, advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time All advertising, promotion and marketing must conform to our System Standards At least fourteen (14) days before you intend to use them, you agree to send us for approval samples of all advertising, promotional and marketing materials that we have previously not approved If we do not approve of the materials within seven (7) days of our receipt of such materials, then they shall be deemed disapproved You may not use any advertising, promotional, or marketing materials that we have not approved in writing or have disapproved

We may decide, in our sole discretion, to provide you a supply of stock digital templates that we develop for advertising, marketing and promotional materials We may also decide, in our sole discretion, to provide you modified or additional templates that you have requested If we provide you any additional or modified templates that you have requested, we may charge you the direct costs we incur in creating those templates, including any fees paid to third party service providers You will bear all costs associated with producing, shipping, handling and storing marketing and advertising materials created using templates we have provided

You acknowledge and agree to use the advertising, marketing and/or public relations programs, firms, media and materials we approve and provide to you throughout the Term of this Agreement You acknowledge that if such materials are provided to you, you will not conform, edit, transform, remake, or modify the materials to be inconsistent with brand approved standards You acknowledge and agree that if you are found not in compliance with our

marketing and advertising requirements, you will incur a ten dollar (\$50) fee after your first two (2) strikes. You will incur a \$50 penalty for every additional strike after your initial 2 strikes. Such strikes do not reset throughout the entire Term of this Agreement, and will continue as additional strikes for each non-compliant marketing or advertising material used by you, your employees, affiliates, agents, and representatives. In addition, if you request any marketing or advertising materials for a specific event or promotion at your Studio that cannot be replicated for the entire franchise network, you will be charged a marketing and advertising fee, which will be based on the time taken to create all requested materials.

## **9D ADVERTISING AND MARKETING FUND**

Recognizing the value of advertising and marketing to the goodwill and public image of Studios, we have established a national advertising and marketing fund (the “**Marketing Fund**”) for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners’ markets. We intend for the Marketing Fund to promote the Marks, patronage of Studios and the “The Barre Code” brand generally. Subject to Section 9F below, you must contribute to the Marketing Fund (your “**Marketing Fund Contribution**”) in an amount equal to

- (1) For the first twenty-four (24) weeks after the Opening Date, one percent (1%) of your Studio’s Gross Sales during the preceding week, and
- (2) Thereafter, the greater one percent (1%) of your Studio’s Gross Sales during the preceding week or \$40 per week (if your Studio has one classroom) or \$80 per week (if your Studio has two classrooms)

Studios owned by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchise owners.

We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media, developing, implementing, and maintaining our Franchise System Website or related websites that promotes Studios and/or related strategies, developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices, administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns), administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising, using advertising, promotion, and marketing agencies and other advisors to provide assistance, and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Marketing Fund will periodically give you samples of advertising, marketing, and promotional formats and materials at no cost.

We will account for the Marketing Fund separately from our other funds. We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund Contributions.

The Marketing Fund is not our asset. Although the Marketing Fund is not a trust, we will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. We do not have any fiduciary obligation for administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Marketing Fund Contributions to pay costs before using the Marketing Fund's other assets.

We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9D.

The purpose of the Marketing Fund is to maximize recognition of the Marks and patronage of Studios. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place such materials, that will benefit all Studios, we cannot ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area or that any contributor benefits directly or in proportion to its Marketing Fund Contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce contributions of a Studio franchise owner and, upon thirty (30) days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding twelve (12) month period.

## 9E LOCAL ADVERTISING COOPERATIVE

Subject to the terms and conditions of this Section 9E, you agree that we or our affiliates or designees may establish or direct the establishment of a local advertising cooperative (“**Local Advertising Cooperative**”) in geographical areas (as determined by us) in which two (2) or more Studios are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating Local Advertising Cooperative franchise owners to review. We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If we have established a Local Advertising Cooperative as of the time you sign this Agreement, for the geographic area in which your Studio is located, or if we establish a Local Advertising Cooperative in that area during this Agreement’s term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

If we establish a Local Advertising Cooperative in your geographic area pursuant to this Section 9E, you agree to participate and contribute your share to such Local Advertising Cooperative (“**Local Advertising Cooperative Contribution**”). The amount of your Local Advertising Cooperative Contribution will be determined at the time the Local Advertising Cooperative is established, provided that it will be subject to Section 9F below. Your Local Advertising Cooperative Contribution will be payable in the same manner as the Royalty. Your Local Advertising Cooperative Contribution may also be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval. Studios owned by us or our affiliates will contribute to their respective Local Advertising Cooperative on the same basis as our franchise owners.

Each Studio contributing to a Local Advertising Cooperative will have one (1) vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. You agree that the Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for Studios in your area, purchasing direct mail and other media advertising for Studios in your area, implementing direct sales programs, and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for Studios in your area.

The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require.

You understand and acknowledge that your Studio might not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for Studios will be developed separately and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section 9E, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

#### **9F MAXIMUM ADVERTISING EXPENDITURE**

The combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution shall not exceed three percent (3%) of your Studio's Gross Sales (the "**Maximum Advertising Expenditure**"), provided that we reserve the right, upon sixty (60) days written notice, and in our sole discretion, to change the amount of the Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative Contribution so long as any change does not result in a combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution greater than the Maximum Advertising Expenditure.

#### **9G FRANCHISE SYSTEM WEBSITE**

We may establish a website to advertise, market, and promote Studios, the products and services that they offer and sell, and/or a Studio franchise opportunity (the "**Franchise System Website**") We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your Studio for informational purposes only. If we provide you with a webpage on the Franchise System Website, you must (i) provide us the information and materials we request to develop, update, and modify your webpage, (ii) notify us whenever any information on your webpage is not accurate, and (iii) if we give you the right to modify your webpage, notify us whenever you change the context of your webpage. We will own all intellectual property and other rights in the Franchise System Website, including your webpage and all information it contains (including the domain name or URL for your webpage, any website analytical data, and any personal or business data that visitors supply).

We will maintain the Franchise System Website and may use the Marketing Fund's assets to develop, maintain, and update the Franchise System Website. We periodically may update and modify the Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on the Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to the Franchise System Website.

Even if we provide you a webpage on our Franchise System Website, we will only maintain such webpage while you are in full compliance with this Agreement and all System Standards we implement (including those relating to the Franchise System Website). If you are in default of any obligation under this Agreement or our System Standards, then we may, in

addition to our other remedies, temporarily remove your webpage from the Franchise System Website until you fully cure the default. We will permanently remove your webpage from the Franchise System Website upon this Agreement's expiration or termination.

All advertising, marketing, and promotional materials that you develop for your Studio must contain notices of the Franchise System Website's domain name in the manner we designate. We reserve the sole right to sell the products sold by Studios on the Internet through the Franchise System Website. You agree that you will not sell any Studio products or services to members on a website through the Internet or through any alternative channels of distribution.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We reserve the right to charge you a fee for each email address we provide you.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website (other than the Franchise System Website), domain name, URL address, email address, other online presence or other electronic medium that mentions your Studio, links to the Franchise System Website or displays any of the Marks. If we approve the use of any such websites, other online presences or electronic mediums, including social networking websites (such as LinkedIn<sup>®</sup>, Twitter<sup>®</sup>, Instagram<sup>®</sup>, Facebook<sup>®</sup>, or YouTube<sup>®</sup>) in the operation of your Studio, or the posting of messages relating to your Studio on other websites, you will do so only in accordance with our guidelines. We reserve the right to require our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary.

## **10 RECORDS, REPORTS, AND FINANCIAL STATEMENTS**

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use a Computer System to maintain certain sales data, Membership Information and other information. You agree that we shall have access to the Computer System of your Studio at all times and that we shall have the right to collect and retain from the Computer System any and all data concerning your Studio. We may require that you hire a service-provider that we designate as your provider of accounting, payroll and/or bookkeeping services. If we designate a service-provider for accounting, payroll and/or bookkeeping services, you agree to cooperate with such service-provider and provide such service-provider with all information you would appropriately provide us under this Section 10.

Each month, you agree to generate, in the manner and format that we may prescribe from time to time, an income statement (including a standard chart of the accounts designated by us) for your Studio covering the most recently completed month. Upon our request, you agree to send us such statements. You also agree to give us in the manner and format that we prescribe from time to time:

- (a) on or before the Royalty payment, a report on your Studio's Gross Sales during the preceding calendar month,



(b) within fifteen (15) days after the end of each calendar month, the operating statements, financial statements, statistical reports and other information we request regarding your Studio covering the preceding month,

(c) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports and other information we request regarding you and your Studio,

(d) by March 15<sup>th</sup> of each year, annual profit and loss and source and use of funds statements and a balance sheet for your Studio as of the end of the prior calendar year, and

(e) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your Studio

An officer must certify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. If any required records, reports, or financial statements are not received within seven (7) consecutive days, you will be in default of this Agreement. Upon immediate notice to you, you will have the right to cure such default within an additional 7 consecutive days.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your Studio for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts journals, cash disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the term of this Agreement.

## **11 INSPECTIONS AND AUDITS**

### **11A OUR RIGHT TO INSPECT YOUR STUDIO**

To determine whether you and your Studio are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect your Studio, (2) photograph your Studio and observe and videotape your Studio's operation for consecutive or intermittent periods we deem necessary, (3) continuously or periodically monitor your Studio using electronic surveillance or other means, (4) remove samples of any products and supplies, (5) interview your Studio's personnel and members, (6) attend any classes taught at your Studio, at no cost to us, and (7) inspect and copy any books, records, and documents relating to your Studio's operation. Additionally, we may contract with third parties to conduct mystery shopper or other market research testing, and quality assurance inspections at your Studio. The cost of such testing and inspections shall be paid by you. Notwithstanding the foregoing, you will not be obligated to pay for more than two (2) third-party contracted mystery shopper visits per calendar year. You agree to cooperate with

us fully. If we exercise any of these rights, we will not interfere unreasonably with your Studio's operation.

## **11B OUR RIGHT TO AUDIT**

We may at any time during your business hours, and without prior notice to you, examine your and your Studio's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Studio's Gross Sales, you agree to pay us, within fifteen (15) days after receiving the examination report, the Royalty, Marketing Fund Contribution, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding three percent (3%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

## **12 TRANSFER**

### **12A BY US**

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or the other obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

### **12B BY YOU**

You understand and acknowledge that the rights and duties this Agreement creates are personal to you and your owners and that we have granted you the franchise in reliance upon our perceptions of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement), (ii) your Studio (or any right to receive all or a portion of your Studio's profits or losses or capital appreciation related to your Studio); (iii) substantially all of the assets of your Studio, (iv) any ownership interest in you (regardless of its size), or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of your Studio's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest,
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest,
- (c) any sale of a security convertible to an ownership interest,
- (d) transfer in your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law,
- (e) if one of your owners or an owner of one of your owners dies, a transfer of by will, declaration of or transfer in trust, or under the laws of intestate succession, or
- (f) foreclosure upon your Studio, or a transfer, surrender, or loss of your Studio’s possession, control, or management

Additionally, you may not pledge this Agreement (to someone other than us) or an ownership interest in you or your owners as security for any loan or other financing, unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

## **12C CONDITIONS FOR APPROVAL OF TRANSFER**

If you and your owners are fully complying with this Agreement and have requested a transfer, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Section 12C.

If the proposed transfer is of a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur), then we will approve such transfer if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and meet our then applicable standards for Studio franchise owners (including no ownership interest or performance of services for a Competitive Business). If the proposed transfer is of this Agreement, a “controlling ownership interest” (as defined in Section 17K) in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place), which in the aggregate transfers this Agreement or a controlling ownership interest in you or one of your owners, then all of the following conditions must be met before or concurrently with the effective date of the transfer:

- (1) the transferee has sufficient business experience, aptitude, integrity and financial resources to operate your Studio,
- (2) you have paid all Royalties, Marketing Fund Contributions, and other amounts owed to us, our affiliates, and third-party vendors, have submitted all required

reports and statements, and have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer,

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business,

(4) the transferee's representatives satisfactorily complete our then-current training program,

(5) your landlord allows you to transfer the Lease or to sublease the Premises to the transferee,

(6) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fund Contribution, provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Agreement,

(7) you pay us a transfer fee equal to ten percent (10%) of the sale price of the Studio, which shall not to exceed the cost of the then-current Initial Franchise Fee for a Studio,

(8) you (and your owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents,

(9) all individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in the form we prescribe,

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your Studio,

(11) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Studio are subordinate to the transferee's obligation to pay Royalties, Marketing Fund Contributions, and other amounts due to us, our affiliates, and third-party vendors related to the operation of the Studio and otherwise to comply with this Agreement,

(12) you have corrected any existing deficiencies of your Studio of which we have notified you on a punch list or in other communications, and/or the transferee agrees to upgrade, remodel, and refurbish your Studio in accordance with our then-current

requirements and specifications for Studios within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken) We may also require the transferee to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment,

(13) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Studios you own and operate) identify yourself or themselves or any business as a current or former Studio or as one of our franchise owners, use any Mark, any colorable imitation of a Mark, or other indicia of a Studio in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us, and

(14) you and your transferring owners agree to comply with the restrictive covenants found in Sections 15F and 15G of this Agreement and are bound, as if this Agreement was terminated as of the date of transfer

If you (or your Operating Partner) request a transfer, it is solely your responsibility to find such prospective transferee We may review all information regarding your Studio that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Studio

## **12D EFFECT OF CONSENT TO TRANSFER**

Our consent to a transfer of this Agreement and your Studio, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Studio's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement

## **12E TRANSFER TO A WHOLLY-OWNED ENTITY**

Notwithstanding Section 12C above, if you are in full compliance with this Agreement, you may transfer this Agreement to an Entity which conducts no business other than your Studio and, if applicable, other Studios, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of your Studio's assets are owned, and your Studio's business is conducted, only by that single corporation or limited liability company The Entity must expressly assume all of your obligations under this Agreement You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur and sign the form of consent to assignment and assignment to corporate entity satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents You further agree to provide us with all organizational documents for the Entity that we require

## 12F OUR RIGHT OF FIRST REFUSAL

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and your Studio, or an ownership interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Sections 12B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send to us a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Studio. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12B and C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that

- (1) we notify you or your selling owner(s) that we intend to purchase the interest or within thirty (30) days after we receive a copy of the offer and all other information we request,
- (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity),
- (3) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer),
- (4) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase, and
- (5) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including representations and warranties regarding (a) ownership and condition of and title to ownership interests and/or assets, (b) liens and encumbrances relating to ownership interests and/or assets, and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12F.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 12B and C above, and if you (and your owners) and the transferee comply with the conditions in Sections 12B and C above

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option

Notwithstanding the foregoing, if your Studio has been used as collateral for an SBA-guaranteed loan (which is subject to our consent as described in Section 12B), we will not, while such loan remains unpaid, exercise our right of first refusal under this Section 12F with respect to a transfer of part of the ownership interests in you unless, in connection with our exercise of the right of first refusal, we are paying off the SBA-guaranteed loan. However, we retain the right to assign our right of first refusal with respect to such transfers to an unaffiliated third-party

## **12G YOUR DEATH OR DISABILITY**

Upon the death or disability of you, your Operating Partner or any owner with a controlling ownership interest in you (a "**Controlling Owner**"), your or the Operating Partner's or such Controlling Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Operating Partner's or Controlling Owner's ownership interest in you, to a third party (which may be your or the Operating Partner's or Controlling Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12 (except that if the transferee is the spouse or immediate family member of you or your Operating Partner or such Controlling Owner, the transfer fee described in Section 12C(7) is waived if the transfer meets all the other conditions in Section 12C). A failure to transfer your interest in this Agreement or the Operating Partner's or such Controlling Owner's ownership interest in you within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Partner or such Controlling Owner from supervising the management and operation of your Studio. If, upon your or the Operating Partner's death or disability, a manager approved by us is not managing your Studio, your or the Operating Partner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager. The manager must complete our then-current training program at your expense. A new Operating Partner acceptable to us also must be appointed for your Studio within sixty (60) days. If, in our judgment, your Studio is not being managed properly any time after your or the Operating Partner's death or disability, we may, but need not, assume your

Studio's management (or appoint a third party to assume its management) in accordance with Sections 8F and 14C herein

### **13 EXPIRATION OF THIS AGREEMENT**

#### **13A YOUR RIGHT TO RENEW YOUR FRANCHISE**

You will have the option to renew this Franchise Agreement to operate your Studio as a Barre Code Studio for one (1) additional term of ten (10) years, commencing immediately when this Agreement expires, if you meet the following conditions

(1) you (and each of your owners) have substantially complied with this Agreement during its term, and

(2) you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Section 13B below) and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards,

(3) you maintain possession of and agree to remodel and/or expand your Studio, add or replace improvements and Operating Assets, and otherwise modify your Studio as we require to comply with System Standards then-applicable for new Studios, or, at your option, you secure substitute premises that we approve and you develop those premises according to System Standards then-applicable for Studios,

(4) you sign the franchise agreement we then use to grant franchises for Studios (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from those contained in this Agreement,

(5) you and your owners agree to sign, in a form satisfactory to us, guarantees and general releases of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns, and

(6) you pay a renewal franchise fee equal to Five Thousand Dollars (\$5,000)

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14B

#### **13B GRANT OF A RENEWAL FRANCHISE**

You agree to give us written notice ("**Your Notice**") of your election to renew your franchise no more than one (1) year and no less than one hundred eighty (180) days before this Agreement expires. We agree to give you written notice ("**Our Notice**") of our decision to grant or not to grant you a successor franchise not more than six (6) months after we receive Your



Notice If applicable, Our Notice will describe the remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Studio into compliance with then-applicable System Standards for new Studios, and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies. If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision.

If Our Notice states that you must remodel your Studio and/or must cure certain deficiencies of your Studio or its operation as a condition to our granting you a successor franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we will give you written notice of our decision not to grant a successor franchise, not less than ninety (90) days before this Agreement expires, provided, however, that we need not give you ninety (90) days' notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the ninety (90) day period before it expires. We may extend this Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the ninety (90) days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

You must immediately cease selling Memberships that expire after this Agreement expires, if (1) you fail to provide us with Your Notice by the deadline required hereunder, (2) Your Notice states that you elect not to renew this Agreement, or (3) if Our Notice states that we will not grant you a successor franchise.

## **14 TERMINATION OF AGREEMENT**

### **14A TERMINATION BY YOU**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver written notice of the material failure to us or, if we cannot correct the failure within thirty (30) days, give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination.

Your termination of this Agreement other than according to this Section 14A will be deemed a termination without cause and a breach of this Agreement.

### **14B TERMINATION BY US**

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the franchise or operating your Studio,

(2) you do not open your Studio in accordance with the time period set forth in Section 2G,

(3) you do not receive our written approval of your Studio's proposed site and Lease within one hundred twenty (120) days of the Effective Date,

(4) you (or your Operating Partner) or your Master Trainer do not satisfactorily complete the Owner Training and Instructor Training, as applicable, in accordance with Section 4A,

(5) you abandon or fail to actively operate your Studio for more than two (2) consecutive business days or fourteen (14) days during any twelve-month period, unless you have obtained our prior written approval of the closure,

(6) you (or your owners) make or attempt to make any transfer in violation of Section 12,

(7) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony,

(8) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you,

(9) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your Studio's reputation or the goodwill associated with the Marks,

(10) you (or any of your owners) or your Master Trainer fail to comply with the System Standards set forth in Section 8I of this Agreement, or cure such failure within thirty (30) days notice, as it relates to the operation and maintenance of your Studio,

(11) you lose the right to occupy the Premises whether or not through any fault of yours,

(12) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information,

(13) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Studio in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after you receive notice from us or any other party,

(14) you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten (10) days after we or any applicable government agency deliver notice to you of that violation or failure,

(15) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you,

(16) you fail to pay when due any federal or state income, service, sales, or other taxes due on your Studio's operation, unless you are in good faith contesting your liability for these taxes,

(17) you have insufficient funds in your designated account to cover your payments owed for Royalties, Marketing Fund Contributions and other amounts due on three (3) separate occasions within a twelve (12) month period,

(18) you understate your Studio's Gross Sales three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion,

(19) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you, or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you,

(20) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due, you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property, your Studio is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days, or any order appointing a receiver, trustee, or liquidator of you or your Studio is not vacated within thirty (30) days following the order's entry,

(21) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation,

(22) you fail to pay the lessor of your Premises rent or any other amounts due under the Lease within thirty (30) days after the due date,

(23) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you,

(24) there is a termination of any other franchise agreement between you or your affiliates and us (or any of our affiliates),

(25) you receive a below average or unsatisfactory grade on two (2) or more separate mystery shopper examinations within any twelve (12) consecutive month period, or

(26) you fail to pay when due any third-party supplier and do not cure such failure within the applicable cure period

#### **14C ASSUMPTION OF MANAGEMENT**

In addition to the rights described in Sections 8F and 12G (regarding replacing the Operating Partner or Master Trainer), we have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume your Studio's management (or to appoint a third party to assume its management) for any period of time we deem appropriate. All funds from your Studio's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. If we (or a third party) assume your Studio's management under clauses (1) and (2) below, you agree to pay us (in addition to the Royalty, Marketing Fund Contributions, and other amounts due to us or our affiliates) four hundred dollars (\$400) per day (as may be adjusted from time to time for inflationary purposes), plus our (or the third party's) direct out-of-pocket costs and expenses, for up to sixty (60) days after we assume management. During the term of this Agreement, we may adjust the amount of this daily fee from time to time by an amount that is commensurate with inflation.

If we (or a third party) assume your Studio's management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any supplies, products, or other assets or services your Studio purchases, while we (or the third party) manage it.

We (or a third party) may assume your Studio's management under the following circumstances: (1) if you abandon or fail actively to operate your Studio, (2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you, or (3) if this Agreement is terminated and we are deciding whether to exercise our option to purchase your Studio under Section 15E below.

If we exercise our rights under clauses (1) or (2) above, that will not affect our right to terminate this Agreement under Section 14B above.

### **15 OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT**

#### **15A PAYMENT OF AMOUNTS OWED TO US**

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us (or our affiliates), the Royalties, Marketing Fund Contributions, interest, and all other amounts owed to us (and our

affiliates) which then are unpaid. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You acknowledge and agree that, upon the termination or expiration of this Agreement, we shall not become responsible for paying any other third party amounts you may owe to such member or third party.

In addition, if this Agreement is terminated by you (other than in accordance with Section 14A) or by us according to this Agreement's terms and conditions, you and we agree that it would be difficult if not impossible to determine the amount of damages that we would suffer. You, therefore, agree to pay to us the net present value of the balance of your Royalties and Marketing Fund Contributions from the date of termination until the scheduled expiration date of this Agreement (such Royalties and Marketing Fund Contributions to be based on the average monthly Royalty and Marketing Fund Contribution during the preceding twelve (12) calendar months times the number of months remaining in the term of this Agreement). If, as of the termination date, you have been selling Memberships for less than twelve (12) calendar months, then such Royalties and Marketing Fund Contributions shall be based on your average monthly Royalty and Marketing Fund Contribution during the months in which you are open multiplied by number of months remaining in the term of this Agreement.

## **15B MARKS**

(1) **Removal of Signs and Marks** In the case of expiration, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to a Studio on or before the date on which this Agreement expires. In the case of a termination, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to a Studio within seven (7) days after the date this Agreement is terminated.

(2) **Additional De-Identification Requirements** When this Agreement expires or is terminated

(a) you (and your owners) may not directly or indirectly at any time or in any manner (except with other Studios you own and operate) identify yourself or any business as a current or former Studio or as one of our current or former franchise owners, use any Mark, any colorable imitation of a Mark, or other indicia of a Studio in any manner or for any purpose, or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us,

(b) you agree to take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark,

(c) if you fail to do so in the required time period, you agree to allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Studio,

(d) you agree to notify the telephone company and all telephone directory and Internet directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark, to authorize the transfer of these numbers and directory listings to us or at our direction, and/or to instruct the listing company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events. You agree that, as between you and us, upon termination or expiration, we have the sole right and interest in the telephone numbers and listings, and you appoint us as your attorney-in-fact to direct the telephone company to assign the same to us and to sign any required documents on your behalf,

(e) you agree to comply with all applicable laws in connection with the closure or de-identification of your Studio, including laws which require you to refund membership fees to members,

(f) immediately cease using any email address that is associated with a domain name we own, or the Marks,

(g) if applicable, immediately (i) cease using or operating any website or other online presences or electronic mediums, including, but not limited to, social networking websites (such as LinkedIn®, Twitter®, Facebook®, or YouTube®), related to your Studio or the Marks, (ii) take any action as may be required to disable such websites or social networking website accounts, and (iii) cancel all rights in and to any accounts for such websites, and

(h) you agree that we may inspect your Premises or you will give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations

## **15C CONFIDENTIAL INFORMATION**

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology, digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System, and Membership Information) in any business or otherwise and return to us all copies of the Operations Manual and any other Confidential Information that we have loaned you

## **15D MEMBERSHIPS**

Upon termination or expiration, you must notify all members of your Studio immediately that your Studio will cease to operate under the Marks

If this Agreement is being terminated or expiring without renewal, we may contact members of your Studio and offer such members continued rights to use one or more other Studios on such terms and conditions we deem appropriate, which in no event will include

assumption of any then existing liability arising out of or relating to any Membership Agreement or act or failure to act by you or your Studio

In the event that, upon expiration or termination of this Agreement, members of your Studio are legally entitled to full or partial refund of any monies paid to you, you will refund such monies promptly and in full and will cooperate with us to preserve goodwill with such members. If you fail to refund your members as required pursuant to this Section 15D, we reserve the right to refund such members in order to preserve good will and prevent damage to the Marks. You must reimburse us for all amounts we refund to members of your Studio.

## **15E OUR RIGHT TO PURCHASE YOUR STUDIO**

(1) **Exercise of Option** Upon

- (a) our termination of this Agreement according to its terms and conditions,
- (b) your termination of this Agreement (other than in accordance with Section 14A), or
- (c) your expiration of this Agreement,

we have the option, exercisable by giving you written notice within thirty (30) days after the date of termination or expiration, to purchase your Studio and the Premises (if you or one of your affiliates owns the Premises). If neither you nor any of your owners or affiliates owns the Premises or we choose not to acquire the Premises, we have the option to exercise the rights under subparagraph (2) below. We have the unrestricted right to assign this option to purchase. If we purchase your Studio and/or the Premises, we are entitled to all customary warranties and representations in our asset purchase, including representations and warranties as to ownership and condition of and title to assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise.

(2) **Rights to Premises** If you lease the Premises from an unaffiliated lessor, or if we choose not to purchase the Premises as set out in subparagraph (1) above, you agree (as applicable) at our election

- (a) to assign your leasehold interest in the Premises to us,
- (b) to enter into a sublease with us for the remainder of the Lease term on the same terms (including renewal options) as the Lease, or
- (c) to lease the Premises to us for an initial term of five (5) years with, at our option, up to three (3) additional terms of five (5) years each, on commercially reasonable terms.

(3) **Purchase Price** The purchase price for your Studio and, if applicable, the purchase price for ownership of the Premises will be the reasonable fair market value, provided that these items will not include any value for

- (a) the franchise or any rights granted by this Agreement,
- (b) goodwill attributable to our Marks, brand image, and other intellectual property, or
- (c) participation in the network of Studios

We may exclude from the assets purchased any Operating Assets and supplies that are not reasonably necessary (in function or quality) to your Studio's operation or that we have not approved as meeting standards for Studios, and the purchase price will reflect these exclusions

(4) **Appraisal** If we and you cannot agree on fair market value, fair market value will be determined by one (1) independent accredited appraiser who will conduct an appraisal and, in doing so, be bound by the criteria specified in subparagraph (3). If we and you cannot agree on an independent appraiser, you will select one appraiser, we will select one appraiser, and these two appraisers will appoint the appraiser to determine the fair market value. You and we agree to select an appraiser within fifteen (15) days after we notify you that we wish to exercise our purchase option (if you and we have not agreed on fair market value before then), and if necessary, the two appraisers selected by you and us are obligated to appoint the actual appraiser within fifteen (15) days after the last of the two is selected. You and we will share equally the appraisers' fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment. The purchase price will be the appraised value.

Notwithstanding the foregoing, if the Studio is used as collateral for an SBA-guaranteed loan (which requires our consent under Section 12B), if we and you cannot agree on the purchase price, while such loan remains unpaid, the purchase price will be determined by three independent accredited appraisers, one of whom will be designated and paid for by us, one of whom will be designated and paid for by you, and the third who will be designated by your and our appointee and paid for by you and us equally. Each appointed appraiser will calculate the purchase price, applying the appropriate mechanism described above, and the determination of at least two of the appraisers shall be the purchase price. You and we will select our respective appraisers within 15 days after we receive the financial and other information necessary to calculate the purchase price (if you and we have not agreed on the calculation of the purchase price, as described above, before then), and the third appraiser must be appointed within 15 days after the appointment of your and our appraisers. The appraisers must complete their calculations within 30 days after their appointment.

(5) **Closing** We (or our assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase your Studio and/or the Premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee).



(a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you,

(b) all of your Studio's licenses and permits which may be assigned or transferred,

(c) the ownership interest or leasehold interest (as applicable) in the Premises and improvements or a lease assignment or lease or sublease, as applicable, and

(d) accounts receivable from members and Membership Agreements listed in computer readable format

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our owners, officers, managers, employees, agents, successors and assigns.

#### **15F COVENANT NOT TO COMPETE**

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15F begin to comply with this Section 15F, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating

(1) at the Premises,

(2) within a ten (10) mile radius of the Premises

These restrictions also apply after transfers, as provided in Section 12C(14) above. If any person restricted by this Section 15F refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 15F will not deprive you of your personal goodwill or ability to earn a living.

#### **15G NON-SOLICITATION AND NON-INTERFERENCE**

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15G begin to comply with this Section 15G, whichever is later, neither you nor any of your owners (or their immediate family members) will

(a) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, any of our affiliates, or one of our franchise owners without our consent or that of the relevant employer,

(2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any members, vendors, or consultants, or

(a) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System

## **15H CONTINUING OBLIGATIONS**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire

## **16 RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

### **16A INDEPENDENT CONTRACTORS**

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with members, suppliers, public officials, Studio personnel, and others as your Studio's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time

### **16B NO LIABILITY FOR ACTS OF OTHER PARTY**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement

### **16C TAXES**

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or your Studio, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us

## 16D INDEMNIFICATION

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees (the **"Indemnified Parties"**) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Studio's operation, the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be or found to have been caused by the Indemnified Party's gross negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction

For purposes of this indemnification, **"claims"** include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section

## 17 ENFORCEMENT

### 17A SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

## **17B WAIVER OF OBLIGATIONS**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms, our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard, our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Studios, the existence of franchise agreements for other Studios which contain provisions different from those contained in this Agreement, or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government, (2) acts of God, (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot, or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Marketing Fund Contributions due afterward.

## **17C COSTS AND ATTORNEYS' FEES**

The prevailing party in any arbitration or litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorney's fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement

## **17D RIGHTS OF PARTIES ARE CUMULATIVE**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce

## **17E ARBITRATION**

WE AND YOU AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO

(1) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES),

(2) OUR RELATIONSHIP WITH YOU,

(3) THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES) OR ANY PROVISION OF ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS SECTION 17E, WHICH WE AND YOU ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT), OR

(4) ANY SYSTEM STANDARD,

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS THIS SECTION OTHERWISE PROVIDES, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR IN OR WITHIN FIFTY (50) MILES OF OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS). ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.) JUDGMENT UPON THE

ARBITRATOR'S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION

THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 17H BELOW, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (WE AND YOU HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 17H BELOW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER)

WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER YOU OR US. WE RESERVE THE RIGHT, BUT HAVE NO OBLIGATION, TO ADVANCE YOUR SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED OUR RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH SECTION 17C ABOVE.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS SECTION 17E OR SECTION 17A, IF ANY ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS SECTION 17E, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH THIS SECTION 17 (EXCLUDING THIS SECTION 17E).

DESPITE OUR AND YOUR AGREEMENT TO ARBITRATE, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION, PROVIDED, HOWEVER, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS SECTION

YOU AND WE AGREE THAT, IN ANY ARBITRATION ARISING AS DESCRIBED IN THIS SECTION, REQUESTS FOR DOCUMENTS SHALL BE LIMITED TO DOCUMENTS THAT ARE DIRECTLY RELEVANT TO SIGNIFICANT ISSUES IN THE CASE OR TO THE CASE'S OUTCOME, SHALL BE RESTRICTED IN TERMS OF TIME FRAME, SUBJECT MATTER AND PERSONS OR ENTITIES TO WHICH THE REQUESTS PERTAIN, AND SHALL NOT INCLUDE BROAD PHRASEOLOGY SUCH AS "ALL DOCUMENTS DIRECTLY OR INDIRECTLY RELATED TO" YOU AND WE FURTHER AGREE THAT THERE SHALL BE NO INTERROGATORIES OR REQUESTS TO ADMIT WITH RESPECT TO ANY ELECTRONIC DISCOVERY, YOU AND WE AGREE THAT

A PRODUCTION OF ELECTRONIC DOCUMENTS NEED ONLY BE FROM SOURCES USED IN THE ORDINARY COURSE OF BUSINESS NO SUCH DOCUMENTS SHALL BE REQUIRED TO BE PRODUCED FROM BACK-UP SERVERS, TAPES OR OTHER MEDIA,

B THE PRODUCTION OF ELECTRONIC DOCUMENTS SHALL NORMALLY BE MADE ON THE BASIS OF GENERALLY AVAILABLE TECHNOLOGY IN A SEARCHABLE FORMAT WHICH IS USABLE BY THE PARTY RECEIVING THE DOCUMENTS AND CONVENIENT AND ECONOMICAL FOR THE PRODUCING PARTY ABSENT A SHOWING OF COMPELLING NEED, THE PARTIES NEED NOT PRODUCE METADATA, WITH THE EXCEPTION OF HEADER FIELDS FOR EMAIL CORRESPONDENCE,

C THE DESCRIPTION OF CUSTODIANS FROM WHOM ELECTRONIC DOCUMENTS MAY BE COLLECTED SHALL BE NARROWLY TAILORED TO INCLUDE ONLY THOSE INDIVIDUALS WHOSE ELECTRONIC DOCUMENTS MAY REASONABLY BE EXPECTED TO CONTAIN EVIDENCE THAT IS MATERIAL TO THE DISPUTE, AND

D WHERE THE COSTS AND BURDENS OF ELECTRONIC DISCOVERY ARE DISPROPORTIONATE TO THE NATURE OF THE DISPUTE OR TO THE AMOUNT IN CONTROVERSY, OR TO THE RELEVANCE OF THE MATERIALS REQUESTED, THE ARBITRATOR SHALL EITHER DENY SUCH REQUESTS OR ORDER DISCLOSURE ON CONDITION THAT THE REQUESTING PARTY ADVANCE THE REASONABLE COST OF PRODUCTION TO THE OTHER SIDE, SUBJECT TO ALLOCATION OF COSTS IN THE FINAL AWARD AS PROVIDED HEREIN

IN ANY ARBITRATION ARISING OUT OF OR RELATED TO THIS AGREEMENT, EACH SIDE MAY TAKE THREE DISCOVERY DEPOSITIONS EACH SIDE'S

DEPOSITIONS ARE TO CONSUME NO MORE THAN A TOTAL OF 15 HOURS THERE ARE TO BE NO SPEAKING OBJECTIONS AT THE DEPOSITIONS, EXCEPT TO PRESERVE PRIVILEGE THE TOTAL PERIOD FOR THE TAKING OF DEPOSITIONS SHALL NOT EXCEED SIX WEEKS

THE PROVISIONS OF THIS SECTION ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION

#### **17F GOVERNING LAW**

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION

#### **17G CONSENT TO JURISDICTION**

SUBJECT TO SECTION 17E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR STUDIO IS LOCATED

#### **17H WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16D, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE



PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US

#### **17I BINDING EFFECT**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers

#### **17J LIMITATIONS OF CLAIMS AND CLASS ACTION BAR**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED

ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS, AND A PROCEEDING BETWEEN US AND YOU OR YOUR OWNERS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN US AND YOU. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT

#### **17K CONSTRUCTION**

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement) and the related documents, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Studio. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this or in any related

agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us

Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies. The use of the term “**including**” in this Agreement, means in each case “including, without limitation”

If two or more persons are at any time the owners of your Studio, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Studio or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement or your Studio and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets

References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer)

The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days

The term “**your Studio**” includes all of the assets of the Studio you operate under this Agreement, including its revenue and the Lease

The term “**member**” or “**members**” includes all customers of the Studio, whether monthly members, one time customers, customers who purchase packages of classes, or any other customers or persons having access to your Studio

This Agreement may be executed in multiple copies, each of which will be deemed an original

## **18 NOTICES AND PAYMENTS**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered

- (a) at the time delivered by hand,
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fund Contributions, and other amounts due, at the time we actually receive payment via the EFT Authorization,
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission,
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid

Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent

## **19 ELECTRONIC MAIL**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“**Official Senders**”) to you during the term of this Agreement

You further agree that (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us, (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them, (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you, and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement

The consent given in this Section 19 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18 using e-mail unless the parties otherwise agree in a written document manually signed by both parties

## **20 BUSINESS JUDGMENT**

We retain the right to operate, develop and change the Franchise System and the products and services offered by Studios in any manner that is not specifically prohibited in this Agreement. Whenever we have reserved the right in this Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates and/or the best interests of Studios as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether our decision or action promotes our interests, those of our affiliates or any other person or entity

## **21 HEADINGS**

You acknowledge that any and all headings that precede the text, sections and subsections herein have been inserted solely for convenience of reference and will not be construed to affect the meaning, construction or effect of this Agreement

## **22 EXECUTION**

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received

*[Signature page to follow]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED\*** \_\_\_\_\_  
(\*Effective Date of this Agreement)

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_

**EXHIBIT A**

**TO THE FRANCHISE AGREEMENT**

**Effective Date** This Exhibit A is current and complete  
as of \_\_\_\_\_, 20\_\_\_\_

**You and Your Owners**

**1      Form of Owner**

(a)      **Individual Proprietorship** Your owner(s) (is) (are) as follows

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b)      **Corporation, Limited Liability Company, or Partnership** (CIRCLE ONE)  
You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_  
You have not conducted business under any name other than your  
corporate,      limited      liability      company,      or      partnership      name      and  
\_\_\_\_\_ (INSERT ANY ASSUMED NAME  
OR DBA THAT YOU HAVE USED) The following is a list of your directors, if applicable, and  
officers as of the effective date shown above

| <b><u>Name of Each Director/Officer</u></b> | <b><u>Position(s) Held</u></b> |
|---------------------------------------------|--------------------------------|
| _____                                       | _____                          |
| _____                                       | _____                          |
| _____                                       | _____                          |
| _____                                       | _____                          |
| _____                                       | _____                          |
| _____                                       | _____                          |

2     **Owners**   The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary)

|     | <b><u>Owner's Name</u></b> | <b><u>Percentage/Description of Interest</u></b> |
|-----|----------------------------|--------------------------------------------------|
| (a) | _____                      | _____                                            |
| (b) | _____                      | _____                                            |
| (c) | _____                      | _____                                            |
| (d) | _____                      | _____                                            |

3     **Name and Address of Operating Partner**

(a)   Name \_\_\_\_\_

(b)   Postal Address \_\_\_\_\_  
\_\_\_\_\_

(c)   E-mail Address \_\_\_\_\_

(d)   Telephone Number \_\_\_\_\_

(e)   Fax Number \_\_\_\_\_

4     **Name and Address of Master Trainer**

(a)   Name \_\_\_\_\_

(b)   Postal Address \_\_\_\_\_  
\_\_\_\_\_

(c)   E-mail Address \_\_\_\_\_

(d)   Telephone Number \_\_\_\_\_

(e)   Fax Number \_\_\_\_\_

*[Signature Page Follows]*

**B ARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_



**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**  
**PREMISES**

1 The Premises of your Studio will be located

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Hereby acknowledged

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_

## EXHIBIT C

### TO THE FRANCHISE AGREEMENT

#### **CONFIDENTIALITY, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT**

As a condition of my engagement as an \_\_\_\_\_ (*insert title/role*) of \_\_\_\_\_ (*insert LLC name*), doing business as "The Barre Code \_\_\_\_\_" and its subsidiaries, affiliates, successors or assigns (together, the "**Company**"), and in consideration of my further engagement with the Company and my receipt of the compensation now and hereafter paid to me by the Company and the Company's agreement in Section 1(a)(1), I hereby agree to the following terms and conditions of this Confidentiality, Non-Competition, and Invention Assignment Agreement (the "**Agreement**")

##### **1 Confidential Information**

(a) **Company Information** The Company agrees that upon the commencement of my engagement that I will have access to certain confidential information, directly or indirectly, in writing, orally, or by drawings or observation, of the Company and of Barre Code Franchisor, L L C ("**Franchisor**") I hereby agree to use such Confidential Information solely for the Company's and Franchisor's benefit I also hereby agree that upon the termination of my engagement with the Company, that the Company and Franchisor shall have no obligation to provide or otherwise make available to me any Confidential Information I understand that "**Confidential Information**" includes, but is not limited, to the following research, plans, products, services, customer lists, information about customers that I have become acquainted with during the term of my engagement, training materials, marketing techniques and promotional programs, market research, software, development, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, financial information, knowledge of the operations, customers or financial performance of other Barre Code Studios, employee information, and any other business information designated as confidential by the Company or by Franchisor or any of their respective affiliates I further understand that Confidential Information does not include any of the foregoing items which have become publicly known and made generally available through no wrongful act or omission of mine or of others who were under confidentiality obligations as to the item or items involved or improvements or new versions thereof I agree at all times that during the term of my engagement and thereafter to hold in the strictest confidence, and to not use, except for the exclusive benefit of the Company or Franchisor, or disclose to any person, firm, or company any Confidential Information of the Company without the written consent of the Board of Directors of the Company and Franchisor, or if none exists, all of the members of the Company and Franchisor

(b) **Third Party Information** I recognize that the Company has received, and in the future, will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such

information and to use it only for certain limited purposes I agree to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm, or corporation or to use it except as necessary in carrying out my work for the Company consistent with the Company's agreement with such third party

2      **Conflicting Employment** I agree that during the term of my engagement with the Company, I will devote my full efforts to the Company and I will not engage in any other employment, occupation, or activities for a Competitive Business or that conflict with my obligations to the Company The term "**Competitive Business**" as used in this Agreement means any business operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes

3      **Returning Company Documents** I agree that at the time of leaving the Company for any reason, that I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blue prints, sketches, materials, equipment, other documents or property, and any other material containing Confidential Information, or reproductions of any aforementioned items developed by me pursuant to my engagement with the Company or otherwise belonging to the Company, its successors, or its assigns In the event of the termination of my engagement with the Company, I hereby agree to sign and deliver the "Termination Certification" attached hereto as Exhibit A

4      **Notification of New Employer** I hereby grant consent to notification by the Company to any future employer about my rights and obligations under this Agreement

5      **Solicitation of Team Members** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company, for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not hire any team members of the Company or any other Barre Code Studio and I will not, either directly or indirectly, solicit, induce, recruit, or encourage any of the Company's or Franchisor's team members to leave their employment, or take away such team members, or attempt to solicit, induce, recruit, encourage, or take away team members of the Company or Franchisor, either for myself or for any other person or entity

6      **Interference** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not, either directly or indirectly, interfere with the Company's, Franchisor's or any other Barre Code Studio's contracts or relationships, or prospective contracts and relationships, including but not limited to customer or client lists

## 7      **Non-Competition Covenant**

(a)      **Non-Competition** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not, without the prior written consent of the Company (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for a Competitive Business, (ii) directly or indirectly own, purchase, organize, or take preparatory steps for the organization of a Competitive Business, or (iii) build, design, finance, acquire, lease, operate, manage, invest in, work, or consult for or otherwise affiliate myself with a Competitive Business. The foregoing covenant shall cover my activities in the part of the Territory in which the Company or I conduct business during the term covenant as set forth above. “**Territory**” shall mean the area that is within a ten (10) mile radius of any facility operated by the Company, or any facility using any of the Company’s Confidential Information.

(b)      **Acknowledgment** I acknowledge that I will derive significant value from the Confidential Information to enable me to optimize the performance of my duties to the Company. I further acknowledge that my fulfillment of the obligations contained in this Agreement, including, but not limited to, my obligation neither to disclose nor use the Confidential Information other than for the Company’s or Franchisor’s exclusive benefit and my obligation not to compete contained in subsection (a) above, is necessary to protect the Confidential Information, and consequently, to preserve the value and goodwill of the Company and Franchisor. I further acknowledge that the time, geographic and scope limitations of my obligations under subsection (a) above are reasonable, especially in light of the goal of protecting the Confidential Information, and that I will not be precluded from gainful employment if I am obligation not to compete with the Company during the period and within the Territory as described above.

(c)      **Scope** The covenants contained in subsection (a) above shall be construed as a series of separate covenants, one for each city, county, and state of any geographic area in the Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in subsection (a) above. If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event the provisions of subsection (a) above are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations as the case may be, then permitted by such law.

## 8      **Inventions**

(a)      ***Assignment of Inventions***    I agree that I will promptly make full written disclosure to Franchisor, will hold in trust for the sole right and benefit of Franchisor, and hereby assign to Franchisor, or its designee, all my right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am with the Company (collectively referred to as "**Inventions**") I further acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of and during the period of my engagement with the Company and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act I understand and agree that the decision whether or not to commercialize or market any Invention developed by me solely or jointly with others is within Franchisor's sole discretion and for Franchisor's sole benefit and that no royalty will be due to me as a result of Franchisor's efforts to commercialize or market any such Invention

(b)      ***Patent, Trademark, and Copyright Registrations***    I agree to assist Franchisor, or its designee, at Franchisor's expense, in every proper way to secure Franchisor's rights in the Inventions and any copyrights, patents, or other intellectual property rights relating thereto in any and all countries, including, but not limited to, the disclosure to Franchisor of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which Franchisor shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Franchisor, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of this Agreement If Franchisor is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to Franchisor as above, then I hereby irrevocably designate and appoint Franchisor and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me

9      **Initial Deposit for Instructor Training Course**    I agree to the Company's charge of an initial instructor training deposit of \$200 (two hundred dollars and no/100), which will be provided to the Company at the time specified by the Company, and I agree that the

Company will be allowed to keep said deposit should I not be able to successfully complete the initial instructor training course

10     **Representations** I represent that my performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my engagement by the Company I have not entered into, and I agree that I will not enter into, any verbal or written agreement in conflict herewith I represent that this Agreement controls over any subsequent or prior agreement, verbal or written, entered into between me and the Company

11     **Enforcement** I agree that it would be impossible or inadequate to measure and calculate the Company's or Franchisor's damages from any breach of the covenants set forth herein Accordingly, I agree that if I breach any of such sections, the Company will have available, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this Agreement I further agree that no bond or other security shall be required in obtaining such equitable relief and I hereby consent to the issuance of such injunction and to the ordering of specific performance

## 12     **General Provisions**

(a)     **Governing Law, Consent to Personal Jurisdiction** THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD FOR CONFLICTS OF LAWS PRINCIPLES I HEREBY EXPRESSLY CONSENT TO THE PERSONAL JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF ILLINOIS FOR ANY LAWSUIT FILED THERE AGAINST ME BY THE COMPANY CONCERNING MY ENGAGEMENT OR THE TERMINATION OF MY ENGAGEMENT OR ARISING FROM OR RELATING TO THIS AGREEMENT

(b)     **Entire Agreement** This Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and supersedes all prior discussions between us No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

(c)     **Severability** If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect

(d)     **Successors and Assigns** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns

(e) **Construction** The language used in this Agreement will be deemed the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against either party

(f) **Benefit** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns Franchisor shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly

(g) **Counterparts** This Agreement may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one agreement

13 **Acknowledgments** I acknowledge and agree to each of the following items

(a) I am executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else, and

(b) I have carefully reviewed and read this Agreement I have asked any questions needed for me to understand the terms, consequences and binding effect of this Agreement and fully understand them, and

(c) I agree that I will give the Company two (2) weeks prior notice ("**Proper Notice**") if I resign from my position in order to account for staffing changes If I am an instructor and I do not give Proper Notice, I acknowledge that I forfeit the paycheck covering my last pay period Additionally, if I am an instructor, I agree to reimburse the Company an amount of one thousand dollars (\$1,000) for the cost, time, and materials of instructor training if I am terminated for two "no-shows" within the first six (6) months of hire to a class I am scheduled to teach

(d) I sought the advice of an attorney of my choice if I so desired prior to signing this Agreement

*[Signature page to follow]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day, month, and year first set forth below

**INDIVIDUAL**

\_\_\_\_\_  
(signature)

Name \_\_\_\_\_, an individual  
(please print your name in the blank provided above)

Date \_\_\_\_\_

**COMPANY**

\_\_\_\_\_  
(d/b/a Barre Code \_\_\_\_\_)

Sign \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

Date \_\_\_\_\_



**Exhibit A**  
**Termination Certification**

I, \_\_\_\_\_, certify that I do not have in my possession, nor have I failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to \_\_\_\_\_ (insert LLC name) its subsidiaries, affiliates, successors, or assigns (together, the "Company")

I further certify that I have complied with all the terms of the Company's CONFIDENTIALITY, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT (the "Agreement") signed by me at the inception of my engagement with the Company, including, but not limited to, the reporting of any inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that Agreement

I further confirm my agreements contained in each section of the Agreement

**INDIVIDUAL**

\_\_\_\_\_  
(signature)

Name \_\_\_\_\_, an individual  
(please print your name in the space provided above)

Date \_\_\_\_\_

## EXHIBIT D

### TO THE FRANCHISE AGREEMENT

#### GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("GUARANTY") is given by the persons indicated below who have executed this Guaranty (each a "Guarantor") to be effective as of the Effective Date of the Agreement (defined below)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") by Barre Code Franchisor, L L C (the "Franchisor"), and \_\_\_\_\_ ("Franchisee"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities

Each of the undersigned waives (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings, (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed, (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed, (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned consents and agrees that (1) his or her direct and immediate liability under this Guaranty shall be joint and several, (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so, (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person, (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement, (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement, and (5) at our request, Guarantor provides the updated financial information to us as may be reasonably necessary to demonstrate his or her ability to satisfy the obligations of the franchise owners under the Agreement

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

Guarantor hereby consents and agrees that

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee,

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so,

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U S Bankruptcy Act or other statute, or from the decision of any court or agency,

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed, and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor

Guarantor agrees to be personally bound by the arbitration obligations under Section 17E of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 17E of the Agreement in accordance with its terms

Capitalized terms that are used but not defined in this Guaranty will have the meanings ascribed to them in the Agreement

*[Signature page follows]*

**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature to be effective as of the Effective Date

**GUARANTOR(S)**

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

|                                          |
|------------------------------------------|
| Signature _____                          |
| Print Name _____                         |
| Percentage Ownership in Franchisee _____ |

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

**EXHIBIT E**

**TO THE FRANCHISE AGREEMENT**

**RIDER AND SPECIAL STIPULATIONS**

**TO LEASE AGREEMENT DATED \_\_\_\_\_  
BY AND BETWEEN \_\_\_\_\_,**

**AS "LANDLORD"**

**AND \_\_\_\_\_,**

**AS "TENANT" FOR THE  
DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN**

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control

1     Consent to Collateral Assignment to Franchisor, Disclaimer Landlord acknowledges that Tenant intends to operate a Barre Code Studio in the Premises, and that Tenant's rights to operate a Barre Code Studio and to use the Barre Code name, trademarks and service marks (the "Marks") are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Barre Code Franchisor, L L C ("Franchisor") Tenant's operations at the Premises are independently owned and operated Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee

2     Use of Premises Tenant shall only use the Premises for purposes of a Barre Code Studio

3 Compliance of Premises With Applicable Law Landlord represents and warrants that as of the date hereof the Premises are in compliance with all applicable law

4 Radius/Relocation Any radius restrictions or relocation provisions found in the Lease are hereby deleted and of no further force or effect

5 Tenant's Signage Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves the following signage rights

5.1 Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities

5.2 Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo

6 Sales Information Notwithstanding anything in the Lease contained to the contrary or in conflict, upon Franchisor's request, Landlord agrees to provide Franchisor with all sales and other information Landlord may have related to the operation of Tenant's Barre Code Studio at the Premises

7 Use of the Marks Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law

8 Notice and Cure Rights to Franchisor Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) fifteen (15) days after Franchisor's receipt of such notice as to monetary defaults or (ii) thirty (30) days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows

Barre Code Franchisor, L L C  
324 N Michigan Avenue  
Chicago, IL 60601

9 Non-disturbance from Mortgage Lenders Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to Section 8 immediately above)

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES CHECK ONLY ONE IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED

A) ☐ Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises

B) ☐ A mortgage, deed of trust or deed to secure debt currently encumbers the Premises It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor

10 Financing of Trade Fixtures by Franchisor and Security Interest Any security interest and/or Landlord's lien in Tenant's trade fixtures, 'trade dress', equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord Upon request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access

11 Tenant Approvals Notwithstanding anything in the Lease to the contrary, if Tenant is unable to obtain licenses, building permits, signage permits, variances, subdivision approvals, special use permits and other governmental approvals necessary to construct and operate a Barre Code Studio (all of the foregoing licenses, permits and approvals are hereinafter referred to as the "Tenant Approvals") within one hundred eighty (180) days after Landlord's approval of Tenant's Plans, Tenant may terminate this Lease by written notice to Landlord, effective as of the date of delivery of written notice to Landlord thereof and any remaining security deposit shall be returned to Tenant, and any rentals paid in advance shall be prorated accordingly

12 Default Notwithstanding anything in the Lease to the contrary, a default under the Lease shall constitute a default under the Franchise Agreement

13 Third Party Beneficiary For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same

14 Franchisor Right to Enter Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location) Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's location as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other

material bearing the Barre Code name or trademarks, service marks or other commercial symbols of Franchisor

15     Amendments   Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

16     Copy of Lease   Landlord agrees to provide Franchisor with a copy of the fully-executed Lease within ten (10) days of its full execution by Landlord and Tenant to the address shown in paragraph 8 above.

17     Counterparts   This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same.

*[Signature page follows]*



AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease

**LANDLORD** \_\_\_\_\_

**TENANT** \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

**EXHIBIT C**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**BARRE CODE FRANCHISOR, L L C**  
**MULTI-UNIT TERRITORY DEVELOPMENT AGREEMENT**

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**MULTI-UNIT DEVELOPER**

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**STUDIO TERRITORY**

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## **EXHIBITS**

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EXHIBIT D GUARANTY AND ASSUMPTION OF OBLIGATIONS

## FRANCHISE AGREEMENT

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 435 N LaSalle Blvd LL2, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“**you**” or “**your**”) as of the date signed by us and set forth opposite our signature on this Agreement (the “**Effective Date**”)

### **1     PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE**

#### **1A     PREAMBLES**

(1) We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the establishment, operation and promotion of a barre-based fitness and workout studio concept under the name “The Barre Code” (“**Studios**”). Studios have a distinctive business format, methods, procedures, designs, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time

(2) We and our affiliates use, promote, and license others to use and promote certain trademarks, service marks, and other commercial symbols in operating Studios, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols to identify the Studios (collectively, the “**Marks**”)

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Studio offering the services and goods we authorize using our business formats, business system, methods, procedures, signs, designs, layouts, standards, specifications, and the Marks, all of which we may improve, further develop, or otherwise modify from time to time (the “**Franchise System**”)

(4) As a franchise owner of a Studio, you will comply with this Agreement and all System Standards (as defined in Section 4D of the Franchise Agreement) in order to maintain the high and consistent quality that is critical to attracting and keeping members for Studios and preserving the goodwill of the Marks

(5) You have applied and been approved for a franchise to own and operate a Studio and have provided us with certain information in support of your application

#### **1B     ACKNOWLEDGMENTS**

You acknowledge that

(1) you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business that a Studio conducts may, and probably will, evolve and change over time,

(2) we do not guarantee the success of a Studio, and being part of the Franchise System does not alter the fact that an investment in a Studio involves business risks that could result in the loss of a significant portion or all of your investment,

(3) among other things, your business abilities and efforts are vital to your Studio (as defined in Section 1D),

(4) attracting members for your Studio will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising and networking, online and social media marketing, and display and use of promotional materials,

(5) retaining members for your Studio will require you to have high standards of quality and service,

(6) you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Studio,

(7) in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us,

(8) you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise,

(9) you have read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service and to protect and preserve the goodwill of the Marks,

(10) we have the right to restrict your sources of goods and services, as provided in various sections of this Agreement, including Section 8D of the Franchise Agreement,

(11) we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our franchise disclosure document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement,



(12) you have been afforded an opportunity, and have been encouraged by us, to ask any questions you have and to review any materials of interest to you concerning this franchise opportunity,

(13) you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or elected not to do so, and

(14) you have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and you will have sufficient funds to meet all of your obligations under this Agreement

### **1C CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

If you are a corporation, limited liability company, or general or limited partnership (collectively, an “**Entity**”), you agree and represent that

(1) You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation,

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions,

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date,

(4) Each of your owners during this Agreement’s term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached hereto as **Exhibit D**. Subject to our rights and your obligations under Section 9, you and your owners agree to sign and deliver to us revised **Exhibits A** to reflect any permitted changes in the information that **Exhibit A** now contains,

(5) You must identify on **Exhibit A**, one of your owners who is a natural person with at least a fifty-one percent (51%) ownership interest and voting power in you and who we have approved (the “**Operating Partner**”). We reserve the right to approve the Operating Partner. In the event that your Operating Partner ceases to own at least a fifty-one percent (51%) ownership interest and voting interest in you, you must recruit a new Operating Partner within thirty (30) days of the change in ownership and deliver to us a revised **Exhibit A** to accurately identify the Operating Partner for our review and approval,

(6) If you are an Entity, you agree that the Operating Partner is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Agreement and any decision made by the Operating Partner will be final and binding upon you and we will be entitled to rely solely upon the decision of the Operating Partner in any such dealings without the necessity of any discussions with any other party, and we will not be held liable for any actions based on any decision or actions of the Operating Partner, and

(7) Your Studio will be the only business you operate unless otherwise approved by us (although your owners may have other, non-competitive business interests)

## **1D GRANT AND TERM OF FRANCHISE**

Subject to this Agreement's terms, we grant you the right, and you undertake the obligation, to acquire Franchises to develop, own and operate a Barre Code Studio ("**Studios**" or "**Development Rights**") at the location identified on **Exhibit B** (the "**Territory Development**" or "**Premises**"), and to use the Franchise System in its operation. In exercising the Development Rights, you agree, at a minimum, to strictly comply with the specifications and timeline for opening your Studios reflected on **Exhibit B** (the "**Development Schedule**"). The Development Rights may only be exercised for the Studios to be developed and operated within the Territory Development area described on **Exhibit B**. The Development Rights may be exercised from the Effective Date and, unless sooner terminated as provided herein, continuing through the earlier of (i) the date on which the last Studio which is required to be opened in order to satisfy the Development Schedule opens for regular business, or (ii) the last day of the last Development Period (the "**Term**")

The Development Rights are limited to the rights to acquire Franchises in accordance with and as described in this Agreement. Rights to develop and operate Studios or to use the Marks are granted only pursuant to individual Franchise Agreements, and you agree that the Development Rights do not include any such rights. You also acknowledge that we grant rights only pursuant to the expressed provisions of written agreements and not in any other manner, including orally or by implication, innuendo, extension or extrapolation.

You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your Studios. You may use the Premises only for your Studio. You agree not to conduct the business of your Studios at any site other than the Premises. In addition, you may not engage in any promotional or similar activities, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system except as provided in Section 9B and Section 9G of the Franchise Agreement.

## **1E TERRITORIAL RIGHTS WE RESERVE**

Except as provided for herein, and provided you are in full compliance with this Agreement and all Franchise Agreements and any other agreements with us (or any of our affiliates), we will not, during the Term, either own Barre Code Studios located in the Territory Development area or grant Franchises (or authorize the grant of Franchises) to any other person or entity to own Barre

Code Studios located in the Territory Development area We are not otherwise restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement, including owning, operating and authorizing others to own and operate Barre Code Studios outside the Territory Development area in our discretion We may also do any of the following anywhere in the world, even within the Territory Development area

(1) the right to establish and operate, and allow others to establish and operate, other Studios using the Marks and the Franchise System, at any location and on such terms and conditions we deem appropriate,

(2) the right to establish and operate, additional concepts or businesses providing products or services similar to those provided at Studios anywhere, under other trade names, trademarks, service marks and commercial symbols different from the Marks,

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

(4) the right to acquire, or be acquired by, (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), a business providing products and services similar to those provided at Studios, even if such business operates, franchises and/or licenses Competitive Businesses (as defined in Section 7A), and

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

## **1F MODIFICATION OF FRANCHISE SYSTEM**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider to be best, in our sole opinion, to vary System Standards for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation We may choose not to authorize similar variations or accommodations to you or other franchise owners

## **2 SITE SELECTION, LEASE OF PREMISES AND DEVELOPMENT AND OPENING OF THE STUDIO**

### **2A SITE SELECTION**

We must approve the Premises and you may operate your Studios only at the Premises We may, but are not obligated to assist you with the site selection process We may also require

that you hire a service provider that we designate, which may be one of our affiliates, to assist you with the site selection process. If the location for the Premises is not specified on **Exhibit B** as of the Effective Date, then you will submit to us a complete report for a site you propose for your Studio and which you reasonably believe to conform to certain minimum site selection criteria we establish from time to time. Your site approval request package must contain the documents and information we require, including a description of the proposed site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We have the right to accept or not accept all proposed sites, including sites selected using the services of any of our designees, in our sole discretion. We will use reasonable efforts to accept or not accept the proposed site within thirty (30) days after receiving your site report. Upon our approval of a site, and after you secure the site, we will insert its address on the cover page of this Agreement and into **Exhibit B**, and it will be the Premises.

In addition, we reserve the right to propose sites to you within the Territory Development area for the development of the Studios contemplated by this Agreement. You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises, such recommendation or information is not a representation or warranty of any kind, express or implied, of the site's suitability for a Studio or any other purpose. Our recommendation indicates only that we believe that the sites and locations meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and locations might not accurately reflect the potential for all sites and locations, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site or location. The uncertainty and variability of these criteria are beyond our control, and we are not responsible if a site and location we recommend fails to meet your expectations. You acknowledge and agree that your acceptance of a site is based on your own independent investigation of the site's suitability for a Studio. If we propose a site and you elect not to accept such site for the development of a Studio at such site, then we have the right to operate or grant any third party the right to operate a Barre Code Studio at such site.

## **2B EXECUTION OF FRANCHISE AGREEMENTS**

You agree, in conjunction with signing this Agreement, to execute and deliver to us a Franchise Agreement and related documents representing the first Franchise you are obligated to acquire under this Agreement. Thereafter, once we have approved a site, and prior to signing a lease or to otherwise secure possession of the site, you must sign our then-current form of Franchise Agreement and related documents, the terms of which (including with respect to applicable fees) may differ substantially from the terms contained in the Franchise Agreement in effect on the Effective Date. The Franchise Agreement, in conjunction with this Agreement, will govern the development and operation of the Barre Code Studio at the approved site identified therein.

## **2C COMPLIANCE WITH DEVELOPMENT SCHEDULE**

Each period described in the Development Schedule is a "**Development Period**." You must satisfy the obligations described on the Development Schedule (**Exhibit B**) during and as of the end of each Development Period. The Development Schedule is not our representation, express or implied, that the Territory Development area can support, or that there are or will be sufficient

sites for, the number of Barre Code Studios specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

We will count a Barre Code Studio towards the Development Schedule only if it is fully operational and open for members and is substantially complying with the terms of the Franchise Agreement as of the end of the Development Period. However, a Studio which is, with our approval or because of fire or casualty, permanently closed during the last ninety (90) days of a Development Period, after having been open and operating, will be counted towards the development obligations for the Development Period in which it closed, but not thereafter.

## **2D FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE**

You agree and acknowledge that time is of the essence. If you fail to comply with the Development Schedule as of the end of any Development Period, we have the right to terminate this Agreement as provided for herein. If this Agreement is terminated due to your failure to comply with the Development Schedule, the individual Franchise Agreement signed by you for each individual Studio will govern the operation of your Studio and you and our relationship as franchisee and franchisor. In terminating this Agreement, you acknowledge that we have the right to release the Territory Development area and allow other potential franchisees to inquire, execute, and operate a Barre Code Studio in such area(s).

## **3 FEES**

You agree to pay us, on your execution of this Agreement and in consideration of the grant of the Development Rights for three (3) Studios, a nonrecurring and nonrefundable development fee in the amount of One Hundred Eight Thousand and Five Hundred Dollars (\$108,500) or in consideration of the grant of the Development Rights for five (5) Studios, a nonrecurring, and nonrefundable fee in the amount of One Hundred Fifty-Two Thousand and Five Hundred Dollars (\$152,500) (collectively, the "**Development Fee**") The Development Fee is fully earned by us when you and we sign this Agreement and is nonrefundable.

## **4 TRAINING AND ASSISTANCE**

Except in the instance that you do not have a master trainer certified by us, you are not required to attend, and we are not required to provide, additional training for operation of the second or third Studio in the Territories, but you must train all of your employees for the operation of the Studio in accordance with the applicable Franchise Agreement and Operations Manual. If you do not have a master trainer certified by us, you are required to attend additional training with the applicable then-current additional training fee, which is currently One Thousand Dollars (\$1,000) per day (8-hour day), or Three Hundred Dollars (\$300) per hour. All other initial and ongoing training is governed by your individual Franchise Agreement signed pursuant to this Agreement.

## 5 MARKS

### 5A OWNERSHIP AND GOODWILL OF MARKS

Barre Code IP, LLC (the “**Trademark Owner**”) has licensed the Marks to us to use in connection with the franchising, development, and operation of Studios. Your right to use the Marks is derived from this Agreement and your Franchise Agreement and limited to your operating your Studios according to your Agreements and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes the Trademark Owner and our rights in the Marks. You acknowledge and agree that any unauthorized use of the Marks will cause us and Trademark Owner irreparable harm for which there is no adequate remedy at law and will entitle us and Trademark Owner to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and Trademark Owner’s benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Studio under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after any Agreement’s term contest or assist any other person in contesting the validity, or our and Trademark Owner’s ownership, of the Marks.

### 5B LIMITATIONS ON YOUR USE OF MARKS

You agree to use the Marks to identify your Studios and to identify yourself as the independent owner of your Studio in the manner we prescribe. You have no right to sublicense or assign your right to use the Marks. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a website, (5) in any user name, screen name or profile in connection with any social networking sites, such as, but not limited to LinkedIn®, Twitter®, Facebook®, Instagram® or YouTube®, except in accordance with our guidelines set forth in the Operations Manual or otherwise consented to in writing from time to time, and (6) in any other manner that we have not expressly authorized in writing. Except in conjunction with the Franchise System Website (as defined in Section 9G of the Franchise Agreement) or with our prior written consent, you may not use any Mark as part of any domain name, homepage, electronic address, or otherwise in connection with a website and then only on the terms we specify.

You may not use any Mark in advertising the transfer, sale, or other disposition of your Studio(s) or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at your Studios and on forms, advertising, supplies, employee uniforms and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

## 6 CONFIDENTIAL INFORMATION & INNOVATIONS

### 6A CONFIDENTIAL INFORMATION

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating Studios, including

- (1) training and operations materials and manuals, including the Operations Manual,
- (2) the System Standards and other methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Studios,
- (3) market research, promotional, marketing and advertising strategies and programs for Studios,
- (4) strategic plans, including expansion strategies and targeted demographics,
- (5) knowledge of, specifications for and suppliers of, and methods of ordering, Operating Assets and other products and supplies,
- (6) any computer software or similar technology which is proprietary to us or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology,
- (7) knowledge of the operating results and financial performance of Studios other than your Studio,
- (8) information generated by, or used or developed in, your Studio’s operation, including information relating to members such as member names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information and related information (“**Membership Information**”), and any other information contained from time to time in the Computer System, and
- (9) any other information designated as confidential or proprietary by us

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Studio during this Agreement’s term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you and your owners

- (a) will not use Confidential Information in any other business or capacity,

(b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter,

(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form,

(d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Studio personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information in the form attached as **Exhibit C**. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights, and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us

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

All Membership Information will be owned by us. You agree to (1) use Membership Information only for the promotion of your Studio during the term hereof and (2) refrain from selling Membership Information to third parties. You will comply with all applicable laws governing the use, protection, and disclosure of Membership Information. If there is a suspected or actual breach of security or unauthorized access involving Membership Information, you will notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Membership Information was compromised or disclosed.

All ideas, concepts, techniques, or materials relating to a Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

## **6B INNOVATIONS**

You agree that, as between us, we or our affiliates own the System and any Proprietary Information, and that your rights to use the System and Proprietary Information, derive solely from



this Agreement or from Franchise Agreements executed pursuant to this Agreement All improvements, developments, derivative works, enhancements, or modifications to the System and any Proprietary Information (collectively, “**Innovations**”) made or created by you, your employees, contractors, or affiliates, whether developed separately or in conjunction with us, shall be owned solely by us or our affiliates You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you To the extent that you, your employees, affiliates or contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us To that end, you shall execute, verify, and deliver such documents (including assignments) and perform such other acts as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof Your obligation to assist us with respect to use ownership rights shall continue beyond the expiration or termination of this Agreement, or the Franchise Agreement executed pursuant to this Agreement In the event that we are unable, for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specific in this Section, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you

## **6C GENERAL**

If you breach any of the provisions of this Section 6, we will be entitled to equitable relief, including in the form of injunctions and orders for specific performance, in addition to all other remedies available at law or equity The obligations under this Section shall survive any expiration or termination of this Agreement

## **7 EXCLUSIVE RELATIONSHIP DURING TERM**

### **7A COVENANTS AGAINST COMPETITION**

You acknowledge that we have granted you Development Rights in consideration of and reliance upon your agreement to deal exclusively with us You therefore agree that, during this Agreement’s term, neither you, any of your owners, nor any of your or your owners’ immediate family members will

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

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

(c) divert or attempt to divert any actual or potential business or member of your Studio to a Competitive Business,

(d) employ or seek to employ any person who is employed by us, our affiliates or by any other Studio franchise owner nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer, or

(e) engage in any other activity which might injure the goodwill of the Marks and Franchise System

You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

The term "**Competitive Business**" means any business (excluding any Studios operated under a franchise agreement with us or our affiliate) operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes.

## **7B NON-SOLICITATION AND NON-INTERFERENCE**

You further agree that, during the term of this Agreement, neither you, any of your owners, nor any of your or your owners' immediate family members will

(1) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, by any of our affiliates, or by a Studio franchise owner without our consent or that of the relevant employer, or

(2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any members, vendors, or consultants.

## **7C NON-DISPARAGEMENT**

You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, the "The Barre Code" brand, the Franchise System, any Studio, any business using the Marks, or (ii) take any other action which would, directly or indirectly, subject the "The Barre Code" brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us or the "The Barre Code" brand.

## **8 RECORDS, REPORTS, AND FINANCIAL STATEMENTS**

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time.

You must use a Computer System to maintain certain sales data, Membership Information and other information. You agree that we shall have access to the Computer System of your Studio at all times and that we shall have the right to collect and retain from the Computer System any and all data concerning your Studio. We may require that you hire a service-provider that we designate as your provider of accounting, payroll and/or bookkeeping services. If we designate a service-provider for accounting, payroll and/or bookkeeping services, you agree to cooperate with such service-provider and provide such service-provider with all information you would appropriately provide us under this Section 8.

Each month, you agree to generate, in the manner and format that we may prescribe from time to time, an income statement (including a standard chart of the accounts designated by us) for your Studio covering the most recently completed month. Upon our request, you agree to send us such statements. You also agree to give us in the manner and format that we prescribe from time to time:

- (a) on or before the Royalty payment, a report on your Studio's Gross Sales during the preceding calendar month,

- (b) within fifteen (15) days after the end of each calendar month, the operating statements, financial statements, statistical reports and other information we request regarding your Studio covering the preceding month,

- (c) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports and other information we request regarding you and your Studio,

- (d) by March 15<sup>th</sup> of each year, annual profit and loss and source and use of funds statements and a balance sheet for your Studio as of the end of the prior calendar year, and

- (e) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your Studio.

An officer must certify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your Studio for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts journals, cash disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the term of this Agreement.

## 9 TRANSFER

### 9A BY US

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or the other obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

### 9B BY YOU

You understand and acknowledge that the rights and duties this Agreement creates are personal to you and your owners and that we have granted you the franchise in reliance upon our perceptions of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement), (ii) your Studio (or any right to receive all or a portion of your Studio's profits or losses or capital appreciation related to your Studio), (iii) substantially all of the assets of your Studio, (iv) any ownership interest in you (regardless of its size), or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of your Studio's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest,
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest,
- (c) any sale of a security convertible to an ownership interest,
- (d) transfer in your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law,
- (e) if one of your owners or an owner of one of your owners dies, a transfer of by will, declaration of or transfer in trust, or under the laws of intestate succession, or

(f) foreclosure upon your Studio, or a transfer, surrender, or loss of your Studio's possession, control, or management

Additionally, you may not pledge this Agreement (to someone other than us) or an ownership interest in you or your owners as security for any loan or other financing, unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates

## **9C CONDITIONS FOR APPROVAL OF TRANSFER**

If you and your owners are fully complying with this Agreement and have requested a transfer, then, subject to the other provisions of this Section 9, we will approve a transfer that meets all of the requirements in this Section 9C

If the proposed transfer is of a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur), then we will approve such transfer if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and meet our then applicable standards for Studio franchise owners (including no ownership interest or performance of services for a Competitive Business). If the proposed transfer is of this Agreement, a "controlling ownership interest" (as defined in Section 12K) in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place), which in the aggregate transfers this Agreement or a controlling ownership interest in you or one of your owners, then all of the following conditions must be met before or concurrently with the effective date of the transfer

(1) the transferee has sufficient business experience, aptitude, integrity and financial resources to operate your Studio,

(2) you have paid all Royalties, Marketing Fund Contributions, and other amounts owed to us, our affiliates, and third-party vendors, have submitted all required reports and statements, and have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer,

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business,

(4) the transferee's representatives satisfactorily complete our then-current training program,

(5) your landlord allows you to transfer the Lease or to sublease the Premises to the transferee,

(6) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-

current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fund Contribution, provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Agreement,

(7) you pay us a transfer fee equal to ten percent (10%) of the purchase price, which shall not exceed the cost of the then-current Initial Franchise Fee for a Studio,

(8) you (and your owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents,

(9) all individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in the form we prescribe,

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your Studio,

(11) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Studio are subordinate to the transferee's obligation to pay Royalties, Marketing Fund Contributions, and other amounts due to us, our affiliates, and third-party vendors related to the operation of the Studio and otherwise to comply with this Agreement,

(12) you have corrected any existing deficiencies of your Studio of which we have notified you on a punch list or in other communications, and/or the transferee agrees to upgrade, remodel, and refurbish your Studio in accordance with our then-current requirements and specifications for Studios within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken) We may also require the transferee to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment,

(13) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Studios you own and operate) identify yourself or themselves or any business as a current or former Studio or as one of our franchise owners, use any Mark, any colorable imitation of a Mark, or other indicia of a Studio in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us, and

(14) you and your transferring owners agree to comply with the restrictive covenants found herein and are bound, as if this Agreement was terminated as of the date of transfer

If you (or your Operating Partner) request a transfer, it is solely your responsibility to find such prospective transferee. We may review all information regarding your Studio that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Studio.

#### **9D EFFECT OF CONSENT TO TRANSFER**

Our consent to a transfer of this Agreement and your Studio or Studios, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Studio's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

#### **9E TRANSFER TO A WHOLLY-OWNED ENTITY**

Notwithstanding Section 9C above, if you are in full compliance with this Agreement, you may transfer this Agreement to an Entity which conducts no business other than your Studio and other Studios, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of your Studio's assets are owned, and your Studio's business is conducted, only by that single corporation or limited liability company. The Entity must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur and sign the form of consent to assignment and assignment to corporate entity satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the Entity that we require.

#### **9F OUR RIGHT OF FIRST REFUSAL**

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and your Studio, or an ownership interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Sections 9B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send to us a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Studio. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 9B and C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that

(1) we notify you or your selling owner(s) that we intend to purchase the interest or within thirty (30) days after we receive a copy of the offer and all other information we request,

(2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity),

(3) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer),

(4) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase, and

(5) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including representations and warranties regarding (a) ownership and condition of and title to ownership interests and/or assets, (b) liens and encumbrances relating to ownership interests and/or assets, and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased

We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 9F

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 9B and C above, and if you (and your owners) and the transferee comply with the conditions in Sections 9B and C above

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option

Notwithstanding the foregoing, if your Studio has been used as collateral for an SBA-guaranteed loan (which is subject to our consent as described in Section 9B), we will not, while such loan remains unpaid, exercise our right of first refusal under this Section 9F with respect to a transfer of part of the ownership interests in you unless, in connection with our exercise of the right of first refusal, we are paying off the SBA-guaranteed loan. However, we retain the right to assign our right of first refusal with respect to such transfers to an unaffiliated third-party



## **10 TERMINATION OF AGREEMENT**

### **10A TERMINATION BY YOU**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver written notice of the material failure to us or, if we cannot correct the failure within thirty (30) days, give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination

Your termination of this Agreement other than according to this Section 10A will be deemed a termination without cause and a breach of this Agreement

### **10B TERMINATION BY US**

In addition to any other rights we have under this Agreement, we will have the right to terminate this Agreement, at any time effective upon delivery of written notice of termination to you, if

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the franchise, Development Rights or operating your Studios,

(2) you do not open your Studio in accordance with the time period set forth in your Development Schedule,

(3) you abandon or threaten to abandon the Development Rights, or take or threaten to take action to liquidate your assets, or if you do not pay any debts or other amounts incurred by you in operating the Studios hereunder when such debts or amounts are due and payable,

(4) you fail to comply with the Development Schedule and such failure continues for a period of 30 days after written notice from us (subject to your cure right below if the failure is the direct result of a Casualty Event),

(5) you fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 10 days following notice,

(6) you (or your owners) make or attempt to make any transfer in violation of Section 9,

(7) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony,

(8) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your Studio's reputation or the goodwill associated with the Marks,

(9) you or your affiliates fail to comply with any provision of any Franchise Agreement and do not cure such failures within the applicable cure period, if any,

(10) you lose the right to occupy the Premises whether or not through any fault of yours,

(11) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information,

(12) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Studio in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after you receive notice from us or any other party,

(13) you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten (10) days after we or any applicable government agency deliver notice to you of that violation or failure,

(14) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you,

(15) you fail to pay when due any federal or state income, service, sales, or other taxes due on your Studio's operation, unless you are in good faith contesting your liability for these taxes,

(16) you have rejected two or more proposed sites within the Territory Development area for development of a Barre Code Studio that we have provided pursuant this Agreement,

(17) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you, or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you,

(18) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due, you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property, your Studio is attached, seized, subjected to a writ or distress warrant, or levied

upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days, or any order appointing a receiver, trustee, or liquidator of you or your Studio is not vacated within thirty (30) days following the order's entry,

(19) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation,

(20) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you,

(21) there is a termination of any other franchise agreement between you or your affiliates and us (or any of our affiliates), or

(22) you fail to observe, perform or comply with any other of the terms or conditions of this Agreement not listed in items (1) through (21) above, and such failure continues for a period of 30 days after written notice thereof has been given by us to you, provided, however, that if your failure is of your obligation to comply with the Development Schedule, such failure is the direct result of a Casualty Event, and you are using good faith efforts to cure the failure, we will not exercise our rights under this Section unless you have failed to cure such default within 180 days following written notice thereof. As used in this paragraph, a "**Casualty Event**" is a fire, tornado, hurricane, flood, earthquake or similar natural disaster which is not within your control

## **10C EFFECTS OF TERMINATION OR EXPIRATION**

(1) Effects On the expiration or termination of this Agreement for any reason whatsoever, the following provisions will apply

- a) all of your rights under this Agreement will cease, and you are no longer entitled to exercise the Development Rights or hold yourself out to the public as being a developer of Barre Code Studios, except as permitted under each individual Franchise Agreement signed pursuant to this Agreement,
- b) you must return all Proprietary Information in your possession or control (except that you may retain and continue to use any Proprietary Information that you are permitted to use under any Franchise Agreements), and
- c) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination

## 10D PAYMENT OF AMOUNTS OWED TO US

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us (or our affiliates), the Royalties, Marketing Fund Contributions, interest, and all other amounts owed to us (and our affiliates) which then are unpaid. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You acknowledge and agree that, upon the termination or expiration of this Agreement, we shall not become responsible for paying any other third party amounts you may owe to such member or third party.

In addition, if this Agreement is terminated by you or by us according to this Agreement's terms and conditions, you and we agree that it would be difficult if not impossible to determine the amount of damages that we would suffer. You, therefore, agree to pay to us the net present value of the balance of your Royalties and Marketing Fund Contributions from the date of termination until the scheduled expiration date of this Agreement (such Royalties and Marketing Fund Contributions to be based on the average monthly Royalty and Marketing Fund Contribution during the preceding twelve (12) calendar months' times the number of months remaining in the term of this Agreement). If, as of the termination date, you have been selling Memberships for less than twelve (12) calendar months, then such Royalties and Marketing Fund Contributions shall be based on your average monthly Royalty and Marketing Fund Contribution during the months in which you are open multiplied by number of months remaining in the term of this Agreement.

## 10E MARKS

(1) Removal of Signs and Marks In the case of expiration or termination, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to a Studio on or before the date on which this Agreement expires. In the case of a termination, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to a Studio within seven (7) days after the date this Agreement is terminated.

(2) Additional De-Identification Requirements When this Agreement expires or is terminated

(a) you (and your owners) may not directly or indirectly at any time or in any manner (except with other Studios you own and operate) identify yourself or any business as a current or former Studio or as one of our current or former franchise owners, use any Mark, any colorable imitation of a Mark, or other indicia of a Studio in any manner or for any purpose, or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us,

(b) you agree to take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark,

(c) if you fail to do so in the required time period, you agree to allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Studio,

(d) you agree to notify the telephone company and all telephone directory and Internet directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark, to authorize the transfer of these numbers and directory listings to us or at our direction, and/or to instruct the listing company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events. You agree that, as between you and us, upon termination or expiration, we have the sole right and interest in the telephone numbers and listings, and you appoint us as your attorney-in-fact to direct the telephone company to assign the same to us and to sign any required documents on your behalf,

(e) you agree to comply with all applicable laws in connection with the closure or de-identification of your Studio, including laws which require you to refund membership fees to members,

(f) immediately cease using any email address that is associated with a domain name we own, or the Marks,

(g) if applicable, immediately (i) cease using or operating any website or other online presences or electronic mediums, including, but not limited to, social networking websites (such as LinkedIn®, Twitter®, Facebook®, or YouTube®), related to your Studio or the Marks, (ii) take any action as may be required to disable such websites or social networking website accounts, and (iii) cancel all rights in and to any accounts for such websites, and

(h) you agree that we may inspect your Premises or you will give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations

## **10F CONFIDENTIAL INFORMATION**

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology, digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System, and Membership Information) in any business or otherwise and return to us all copies of the Operations Manual and any other Confidential Information that we have loaned you

## **10G MEMBERSHIPS**

Upon termination or expiration, you must notify all members of your Studio immediately that your Studio will cease to operate under the Marks

If this Agreement is being terminated or expiring without renewal, we may contact members of your Studio and offer such members continued rights to use one or more other Studios on such terms and conditions we deem appropriate, which in no event will include assumption of any then existing liability arising out of or relating to any Membership Agreement or act or failure to act by you or your Studio

In the event that, upon expiration or termination of this Agreement, members of your Studio are legally entitled to full or partial refund of any monies paid to you, you will refund such monies promptly and in full and will cooperate with us to preserve goodwill with such members. If you fail to refund your members as required pursuant to this Section 10G, we reserve the right to refund such members in order to preserve good will and prevent damage to the Marks. You must reimburse us for all amounts we refund to members of your Studio.

#### **10H COVENANT NOT TO COMPETE**

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 10I begin to comply with this Section 10I, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating

- (1) at the Premises,
- (2) within a ten (10) mile radius of the Premises

These restrictions also apply after transfers, as provided in Section 9C(14) above. If any person restricted by this Section 10I refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 10I will not deprive you of your personal goodwill or ability to earn a living.

#### **10I NON-SOLICITATION AND NON-INTERFERENCE**

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 10J begin to comply with this Section 10J, whichever is later, neither you nor any of your owners (or their immediate family members) will

- (a) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, any of our affiliates, or one of our franchise owners without our consent or that of the relevant employer,

(2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any members, vendors, or consultants, or

(a) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System

## **10J CONTINUING OBLIGATIONS**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire

## **11 RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

### **11A INDEPENDENT CONTRACTORS**

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with members, suppliers, public officials, Studio personnel, and others as your Studio's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time

### **11B NO LIABILITY FOR ACTS OF OTHER PARTY**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement

### **11C TAXES**

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or your Studio, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us

### **11D INDEMNIFICATION**

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Studio's operation,

the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be or found to have been caused by the Indemnified Party's gross negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction

For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section

## **12 ENFORCEMENT**

### **12A SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any



promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement

## **12B WAIVER OF OBLIGATIONS**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms, our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard, our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Studios, the existence of franchise agreements for other Studios which contain provisions different from those contained in this Agreement, or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government, (2) acts of God, (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot, or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Marketing Fund Contributions due afterward.

## **12C COSTS AND ATTORNEYS' FEES**

The prevailing party in any arbitration or litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorney's fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

## **12D RIGHTS OF PARTIES ARE CUMULATIVE**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

## 12E ARBITRATION

WE AND YOU AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO

(1) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES),

(2) OUR RELATIONSHIP WITH YOU,

(3) THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES) OR ANY PROVISION OF ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS SECTION 12E, WHICH WE AND YOU ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT), OR

(4) ANY SYSTEM STANDARD,

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS THIS SECTION OTHERWISE PROVIDES, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR IN OR WITHIN FIFTY (50) MILES OF OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS). ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.) JUDGMENT UPON THE ARBITRATOR'S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 12H BELOW, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (WE AND YOU HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 17H BELOW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER).

WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER YOU OR US. WE RESERVE THE RIGHT, BUT HAVE NO OBLIGATION, TO ADVANCE YOUR SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED OUR RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH SECTION 12C ABOVE.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS SECTION 17E OR SECTION 17A, IF ANY ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS SECTION 17E, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH THIS SECTION 12 (EXCLUDING THIS SECTION 12E).

DESPITE OUR AND YOUR AGREEMENT TO ARBITRATE, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION, PROVIDED, HOWEVER, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS SECTION.

YOU AND WE AGREE THAT, IN ANY ARBITRATION ARISING AS DESCRIBED IN THIS SECTION, REQUESTS FOR DOCUMENTS SHALL BE LIMITED TO DOCUMENTS THAT ARE DIRECTLY RELEVANT TO SIGNIFICANT ISSUES IN THE CASE OR TO THE CASE'S OUTCOME, SHALL BE RESTRICTED IN TERMS OF TIME FRAME, SUBJECT MATTER AND PERSONS OR ENTITIES TO WHICH THE REQUESTS PERTAIN, AND SHALL NOT INCLUDE BROAD PHRASEOLOGY SUCH AS "ALL DOCUMENTS DIRECTLY OR INDIRECTLY RELATED TO." YOU AND WE FURTHER

AGREE THAT THERE SHALL BE NO INTERROGATORIES OR REQUESTS TO ADMIT WITH RESPECT TO ANY ELECTRONIC DISCOVERY, YOU AND WE AGREE THAT

A PRODUCTION OF ELECTRONIC DOCUMENTS NEED ONLY BE FROM SOURCES USED IN THE ORDINARY COURSE OF BUSINESS NO SUCH DOCUMENTS SHALL BE REQUIRED TO BE PRODUCED FROM BACK-UP SERVERS, TAPES OR OTHER MEDIA,

B THE PRODUCTION OF ELECTRONIC DOCUMENTS SHALL NORMALLY BE MADE ON THE BASIS OF GENERALLY AVAILABLE TECHNOLOGY IN A SEARCHABLE FORMAT WHICH IS USABLE BY THE PARTY RECEIVING THE DOCUMENTS AND CONVENIENT AND ECONOMICAL FOR THE PRODUCING PARTY ABSENT A SHOWING OF COMPELLING NEED, THE PARTIES NEED NOT PRODUCE METADATA, WITH THE EXCEPTION OF HEADER FIELDS FOR EMAIL CORRESPONDENCE,

C THE DESCRIPTION OF CUSTODIANS FROM WHOM ELECTRONIC DOCUMENTS MAY BE COLLECTED SHALL BE NARROWLY TAILORED TO INCLUDE ONLY THOSE INDIVIDUALS WHOSE ELECTRONIC DOCUMENTS MAY REASONABLY BE EXPECTED TO CONTAIN EVIDENCE THAT IS MATERIAL TO THE DISPUTE, AND

D WHERE THE COSTS AND BURDENS OF ELECTRONIC DISCOVERY ARE DISPROPORTIONATE TO THE NATURE OF THE DISPUTE OR TO THE AMOUNT IN CONTROVERSY, OR TO THE RELEVANCE OF THE MATERIALS REQUESTED, THE ARBITRATOR SHALL EITHER DENY SUCH REQUESTS OR ORDER DISCLOSURE ON CONDITION THAT THE REQUESTING PARTY ADVANCE THE REASONABLE COST OF PRODUCTION TO THE OTHER SIDE, SUBJECT TO ALLOCATION OF COSTS IN THE FINAL AWARD AS PROVIDED HEREIN

IN ANY ARBITRATION ARISING OUT OF OR RELATED TO THIS AGREEMENT, EACH SIDE MAY TAKE THREE DISCOVERY DEPOSITIONS EACH SIDE'S DEPOSITIONS ARE TO CONSUME NO MORE THAN A TOTAL OF 15 HOURS THERE ARE TO BE NO SPEAKING OBJECTIONS AT THE DEPOSITIONS, EXCEPT TO PRESERVE PRIVILEGE THE TOTAL PERIOD FOR THE TAKING OF DEPOSITIONS SHALL NOT EXCEED SIX WEEKS

THE PROVISIONS OF THIS SECTION ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION

## **12F GOVERNING LAW**

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.) EXCEPT TO THE EXTENT

GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION

#### **12G CONSENT TO JURISDICTION**

SUBJECT TO SECTION 12E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR STUDIO IS LOCATED

#### **12H WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 11D, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US

#### **12I BINDING EFFECT**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers

## **12J LIMITATIONS OF CLAIMS AND CLASS ACTION BAR**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED.

ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS, AND A PROCEEDING BETWEEN US AND YOU OR YOUR OWNERS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN US AND YOU. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

## **12K CONSTRUCTION**

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement) and the related documents, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Studio. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are

for convenience only and do not define, limit, or construe the contents of these sections or paragraphs

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies. The use of the term “**including**” in this Agreement, means in each case “including, without limitation”

If two or more persons are at any time the owners of your Studio, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Studio or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement or your Studio and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term “**your Studio**” includes all of the assets of the Studio you operate under this Agreement, including its revenue and the Lease.

The term “**member**” or “**members**” includes all customers of the Studio, whether monthly members, one time customers, customers who purchase packages of classes, or any other customers or persons having access to your Studio.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

### 13 NOTICES AND PAYMENTS

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered

- (a) at the time delivered by hand,
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fund Contributions, and other amounts due, at the time we actually receive payment via the EFT Authorization,
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission,
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid

Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent

### 14 ELECTRONIC MAIL

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates ("**Official Senders**") to you during the term of this Agreement

You further agree that (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us, (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them, (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you, and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement

The consent given in this Section 14 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 13 using e-mail unless the parties otherwise agree in a written document manually signed by both parties



## **15 BUSINESS JUDGMENT**

We retain the right to operate, develop and change the Franchise System and the products and services offered by Studios in any manner that is not specifically prohibited in this Agreement. Whenever we have reserved the right in this Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates and/or the best interests of Studios as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether our decision or action promotes our interests, those of our affiliates or any other person or entity.

## **16 HEADINGS**

You acknowledge that any and all headings that precede the text, sections and subsections herein have been inserted solely for convenience of reference and will not be construed to affect the meaning, construction or effect of this Agreement.

## **17 EXECUTION**

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

*[Signature page to follow]*

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED\*** \_\_\_\_\_  
(\*Effective Date of this Agreement)

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_

**EXHIBIT A**

**TO THE MULTI-UNIT TERRITORY  
DEVELOPMENT AGREEMENT**

**Effective Date** This Exhibit A is current and complete  
as of \_\_\_\_\_, 20\_\_\_\_

**You and Your Owners**

**1 Form of Owner**

(a) **Individual Proprietorship** Your owner(s) (is) (are) as follows

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) **Corporation, Limited Liability Company, or Partnership** (CIRCLE ONE)  
You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_  
You have not conducted business under any name other than your  
corporate, limited liability company, or partnership name and  
\_\_\_\_\_ (INSERT ANY ASSUMED NAME  
OR DBA THAT YOU HAVE USED) The following is a list of your directors, if applicable, and  
officers as of the effective date shown above

**Name of Each Director/Officer**

**Position(s) Held**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

2     **Owners**   The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary)

|     | <b><u>Owner's Name</u></b> | <b><u>Percentage/Description of Interest</u></b> |
|-----|----------------------------|--------------------------------------------------|
| (a) | _____                      | _____                                            |
| (b) | _____                      | _____                                            |
| (c) | _____                      | _____                                            |
| (d) | _____                      | _____                                            |

3     **Name and Address of Operating Partner**

(a)   Name \_\_\_\_\_

(b)   Postal Address \_\_\_\_\_  
\_\_\_\_\_

(c)   E-mail Address \_\_\_\_\_

(d)   Telephone Number \_\_\_\_\_

(e)   Fax Number \_\_\_\_\_

4     **Name and Address of Master Trainer**

(a)   Name \_\_\_\_\_

(b)   Postal Address \_\_\_\_\_  
\_\_\_\_\_

(c)   E-mail Address \_\_\_\_\_

(d)   Telephone Number \_\_\_\_\_

(e)   Fax Number \_\_\_\_\_

*[Signature Page Follows]*

**B ARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_

**EXHIBIT B**

**TO THE MULTI-UNIT TERRITORY DEVELOPMENT AGREEMENT**

**TERRITORY DEVELOPMENT & SCHEDULE**

- 1      The **Development Area** is comprised of \_\_\_\_\_, as depicted on the map attached hereto. If the Development Area is identified by counties or other political subdivisions, political boundaries will be considered fixed as of the date of this Agreement and will not change, notwithstanding a political reorganization or change to the boundaries or regions.
- 2      The **Development Schedule** is as follows:

| <b>DEVELOPMENT PERIOD</b> | <b>NUMBER OF NEW LEASES SIGNED DURING DEVELOPMENT PERIOD</b> | <b>NUMBER OF NEW STUDIOS OPENED DURING DEVELOPMENT PERIOD</b> | <b>MINIMUM (CUMULATIVE) NUMBER OF STUDIOS OPEN AND OPERATING AT END OF DEVELOPMENT PERIOD</b> |
|---------------------------|--------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                           |                                                              |                                                               |                                                                                               |
|                           |                                                              |                                                               |                                                                                               |
|                           |                                                              |                                                               |                                                                                               |

*[Signature page follows]*

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**MULTI-UNIT DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_



## EXHIBIT C

### TO THE MULTI-UNIT TERRITORY DEVELOPMENT AGREEMENT

#### CONFIDENTIALITY, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT

As a condition of my engagement as an \_\_\_\_\_ (*insert title/role*) of \_\_\_\_\_ (*insert LLC name*), doing business as "The Barre Code \_\_\_\_\_" and its subsidiaries, affiliates, successors or assigns (together, the "**Company**"), and in consideration of my further engagement with the Company and my receipt of the compensation now and hereafter paid to me by the Company and the Company's agreement in Section 1(a)(1), I hereby agree to the following terms and conditions of this Confidentiality, Non-Competition, and Invention Assignment Agreement (the "**Agreement**")

#### 1 **Confidential Information**

(a) **Company Information** The Company agrees that upon the commencement of my engagement that I will have access to certain confidential information, directly or indirectly, in writing, orally, or by drawings or observation, of the Company and of Barre Code Franchisor, L L C ("**Franchisor**") I hereby agree to use such Confidential Information solely for the Company's and Franchisor's benefit I also hereby agree that upon the termination of my engagement with the Company, that the Company and Franchisor shall have no obligation to provide or otherwise make available to me any Confidential Information I understand that "**Confidential Information**" includes, but is not limited, to the following research, plans, products, services, customer lists, information about customers that I have become acquainted with during the term of my engagement, training materials, marketing techniques and promotional programs, market research, software, development, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, financial information, knowledge of the operations, customers or financial performance of other Barre Code Studios, employee information, and any other business information designated as confidential by the Company or by Franchisor or any of their respective affiliates I further understand that Confidential Information does not include any of the foregoing items which have become publicly known and made generally available through no wrongful act or omission of mine or of others who were under confidentiality obligations as to the item or items involved or improvements or new versions thereof I agree at all times that during the term of my engagement and thereafter to hold in the strictest confidence, and to not use, except for the exclusive benefit of the Company or Franchisor, or disclose to any person, firm, or company any Confidential Information of the Company without the written consent of the Board of Directors of the Company and Franchisor, or if none exists, all of the members of the Company and Franchisor

(b) **Third Party Information** I recognize that the Company has received, and in the future, will receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information

and to use it only for certain limited purposes I agree to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm, or corporation or to use it except as necessary in carrying out my work for the Company consistent with the Company's agreement with such third party

2      **Conflicting Employment** I agree that during the term of my engagement with the Company, I will devote my full efforts to the Company and I will not engage in any other employment, occupation, or activities for a Competitive Business or that conflict with my obligations to the Company The term "**Competitive Business**" as used in this Agreement means any business operating, or granting, franchises or licenses to others to operate, any fitness or workout business offering group classes

3      **Returning Company Documents** I agree that at the time of leaving the Company for any reason, that I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blue prints, sketches, materials, equipment, other documents or property, and any other material containing Confidential Information, or reproductions of any aforementioned items developed by me pursuant to my engagement with the Company or otherwise belonging to the Company, its successors, or its assigns In the event of the termination of my engagement with the Company, I hereby agree to sign and deliver the "Termination Certification" attached hereto as Exhibit A

4      **Notification of New Employer** I hereby grant consent to notification by the Company to any future employer about my rights and obligations under this Agreement

5      **Solicitation of Team Members** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company, for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not hire any team members of the Company or any other Barre Code Studio and I will not, either directly or indirectly, solicit, induce, recruit, or encourage any of the Company's or Franchisor's team members to leave their employment, or take away such team members, or attempt to solicit, induce, recruit, encourage, or take away team members of the Company or Franchisor, either for myself or for any other person or entity

6      **Interference** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not, either directly or indirectly, interfere with the Company's, Franchisor's or any other Barre Code Studio's contracts or relationships, or prospective contracts and relationships, including but not limited to customer or client lists

## 7      **Non-Competition Covenant**

(a)      ***Non-Competition*** I agree that during the course of my engagement and for a period of eighteen (18) months immediately following the termination of my relationship with the Company for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice, I will not, without the prior written consent of the Company (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for a Competitive Business, (ii) directly or indirectly own, purchase, organize, or take preparatory steps for the organization of a Competitive Business, or (iii) build, design, finance, acquire, lease, operate, manage, invest in, work, or consult for or otherwise affiliate myself with a Competitive Business. The foregoing covenant shall cover my activities in the part of the Territory in which the Company or I conduct business during the term covenant as set forth above. “**Territory**” shall mean the area that is within a ten (10) mile radius of any facility operated by the Company, or any facility using any of the Company’s Confidential Information.

(b)      ***Acknowledgment*** I acknowledge that I will derive significant value from the Confidential Information to enable me to optimize the performance of my duties to the Company. I further acknowledge that my fulfillment of the obligations contained in this Agreement, including, but not limited to, my obligation neither to disclose nor use the Confidential Information other than for the Company’s or Franchisor’s exclusive benefit and my obligation not to compete contained in subsection (a) above, is necessary to protect the Confidential Information, and consequently, to preserve the value and goodwill of the Company and Franchisor. I further acknowledge that the time, geographic and scope limitations of my obligations under subsection (a) above are reasonable, especially in light of the goal of protecting the Confidential Information, and that I will not be precluded from gainful employment if I am obligation not to compete with the Company during the period and within the Territory as described above.

(c)      ***Scope*** The covenants contained in subsection (a) above shall be construed as a series of separate covenants, one for each city, county, and state of any geographic area in the Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in subsection (a) above. If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event the provisions of subsection (a) above are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations as the case may be, then permitted by such law.

## 8      **Inventions**

(a)      ***Assignment of Inventions***    I agree that I will promptly make full written disclosure to Franchisor, will hold in trust for the sole right and benefit of Franchisor, and hereby assign to Franchisor, or its designee, all my right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am with the Company (collectively referred to as "**Inventions**") I further acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of and during the period of my engagement with the Company and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. I understand and agree that the decision whether or not to commercialize or market any Invention developed by me solely or jointly with others is within Franchisor's sole discretion and for Franchisor's sole benefit and that no royalty will be due to me as a result of Franchisor's efforts to commercialize or market any such Invention.

(b)      ***Patent, Trademark, and Copyright Registrations***    I agree to assist Franchisor, or its designee, at Franchisor's expense, in every proper way to secure Franchisor's rights in the Inventions and any copyrights, patents, or other intellectual property rights relating thereto in any and all countries, including, but not limited to, the disclosure to Franchisor of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which Franchisor shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Franchisor, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of this Agreement. If Franchisor is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to Franchisor as above, then I hereby irrevocably designate and appoint Franchisor and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

9      **Initial Deposit for Instructor Training Course**    I agree to the Company's charge of an initial instructor training deposit of \$200 (two hundred dollars and no/100), which will be provided to the Company at the time specified by the Company, and I agree that the Company will be allowed to keep said deposit should I not be able to successfully complete the initial instructor training course.

10     **Representations** I represent that my performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my engagement by the Company I have not entered into, and I agree that I will not enter into, any verbal or written agreement in conflict herewith I represent that this Agreement controls over any subsequent or prior agreement, verbal or written, entered into between me and the Company

11     **Enforcement** I agree that it would be impossible or inadequate to measure and calculate the Company's or Franchisor's damages from any breach of the covenants set forth herein Accordingly, I agree that if I breach any of such sections, the Company will have available, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this Agreement I further agree that no bond or other security shall be required in obtaining such equitable relief and I hereby consent to the issuance of such injunction and to the ordering of specific performance

12     **General Provisions**

(a)     **Governing Law, Consent to Personal Jurisdiction** THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD FOR CONFLICTS OF LAWS PRINCIPLES I HEREBY EXPRESSLY CONSENT TO THE PERSONAL JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF ILLINOIS FOR ANY LAWSUIT FILED THERE AGAINST ME BY THE COMPANY CONCERNING MY ENGAGEMENT OR THE TERMINATION OF MY ENGAGEMENT OR ARISING FROM OR RELATING TO THIS AGREEMENT

(b)     **Entire Agreement** This Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and supersedes all prior discussions between us No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

(c)     **Severability** If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect

(d)     **Successors and Assigns** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns

(e)     **Construction** The language used in this Agreement will be deemed the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against either party

(f) **Benefit** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Franchisor shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

(g) **Counterparts** This Agreement may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one agreement.

13 **Acknowledgments** I acknowledge and agree to each of the following items:

(a) I am executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else, and

(b) I have carefully reviewed and read this Agreement. I have asked any questions needed for me to understand the terms, consequences and binding effect of this Agreement and fully understand them, and

(c) I agree that I will give the Company two (2) weeks prior notice ("**Proper Notice**") if I resign from my position in order to account for staffing changes. If I am an instructor and I do not give Proper Notice, I acknowledge that I forfeit the paycheck covering my last pay period. Additionally, if I am an instructor, I agree to reimburse the Company an amount of one thousand dollars (\$1,000) for the cost, time, and materials of instructor training if I am terminated for two "no-shows" within the first six (6) months of hire to a class I am scheduled to teach.

(d) I sought the advice of an attorney of my choice if I so desired prior to signing this Agreement.

*[Signature page to follow]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day, month, and year first set forth below

**INDIVIDUAL**

\_\_\_\_\_  
(signature)

Name \_\_\_\_\_, an individual  
(please print your name in the blank provided above)

Date \_\_\_\_\_

**COMPANY**

\_\_\_\_\_  
(d/b/a Barre Code \_\_\_\_\_)

Sign \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**Exhibit A**  
**Termination Certification**

I, \_\_\_\_\_, certify that I do not have in my possession, nor have I failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to \_\_\_\_\_ (*insert LLC name*) its subsidiaries, affiliates, successors, or assigns (together, the "Company")

I further certify that I have complied with all the terms of the Company's CONFIDENTIALITY, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT (the "Agreement") signed by me at the inception of my engagement with the Company, including, but not limited to, the reporting of any inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that Agreement

I further confirm my agreements contained in each section of the Agreement

**INDIVIDUAL**

\_\_\_\_\_  
(signature)

Name \_\_\_\_\_, an individual  
(please print your name in the space provided above)

Date \_\_\_\_\_



## EXHIBIT D

### TO THE MULTI-UNIT TERRITORY DEVELOPMENT AGREEMENT

#### GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("GUARANTY") is given by the persons indicated below who have executed this Guaranty (each a "Guarantor") to be effective as of the Effective Date of the Agreement (defined below)

In consideration of, and as an inducement to, the execution of that certain Multi-Unit Territory Development Agreement (the "Agreement") by Barre Code Franchisor, L L C (the "Franchisor"), and \_\_\_\_\_ ("Developer"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities

Each of the undersigned waives (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings, (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed, (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed, (4) any right he or she may have to require that an action be brought against Developer or any other person as a condition of liability. Each of the undersigned consents and agrees that (1) his or her direct and immediate liability under this Guaranty shall be joint and several, (2) he or she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so, (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person, (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement, (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement, and (5) at our request, Guarantor provides the updated financial information to us as may be reasonably necessary to demonstrate his or her ability to satisfy the obligations of the franchise owners under the Agreement

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

Guarantor hereby consents and agrees that

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Developer and the other owners of Developer,

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so,

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Agreement by a trustee of Developer. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U S Bankruptcy Act or other statute, or from the decision of any court or agency,

(d) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed, and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor

Guarantor agrees to be personally bound by the arbitration obligations under Section 12E of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 12E of the Agreement in accordance with its terms

Capitalized terms that are used but not defined in this Guaranty will have the meanings ascribed to them in the Agreement

*[Signature page follows]*

**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature to be effective as of the Effective Date

**GUARANTOR(S)**

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

|                                         |
|-----------------------------------------|
| Signature _____                         |
| Print Name _____                        |
| Percentage Ownership in Developer _____ |

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

|                                          |
|------------------------------------------|
| _____<br>Name of Guarantor               |
| _____<br>Name of Guarantor's Spouse      |
| _____<br>Signature of Guarantor's Spouse |

|                                     |
|-------------------------------------|
| _____<br>Name of Guarantor          |
| _____<br>Name of Guarantor's Spouse |

|                                     |
|-------------------------------------|
| _____<br>Name of Guarantor          |
| _____<br>Name of Guarantor's Spouse |

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

**EXHIBIT D**  
**AMENDMENT TO FRANCHISE AGREEMENT**  
**(FOR AREA OF PROTECTION)**

**AMENDMENT TO  
FRANCHISE AGREEMENT**

**(FOR AREA OF PROTECTION)**

**THIS AMENDMENT TO FRANCHISE AGREEMENT** (the "**Amendment**") is made and entered into between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 435 N LaSalle Blvd, LL2, Chicago, Illinois 60654 ("**we**," "**us**," or "**our**"), and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ ("**you**" or "**your**") as of \_\_\_\_\_, 20\_\_ (the "**Effective Date**") This Amendment amends the franchise agreement between you and us dated \_\_\_\_\_, 20\_\_ (the "**Franchise Agreement**"), which governs your ownership and operation of a Barre Code Studio located \_\_\_\_\_ (the "**Studio**")

**AGREEMENT**

For and in consideration of the undertakings and commitments in this Amendment, the receipt and sufficiency we and you acknowledge, we and you agree as follows

1     **Area of Protection**   The following language is added as a new Section 1 F of the Franchise Agreement

**1F     AREA OF PROTECTION**

Provided that you are in full compliance with the terms and conditions of this Agreement and all other agreements with us and our affiliates and subject to our rights under Section 1E, we and our affiliates will not operate or grant a franchise for the operation of another Studio, the physical premises of which are located within the geographical area specified on Exhibit B (the "**Area of Protection**")

You may not relocate your Studio to a location other than the Premises or open additional Studios within the Area of Protection without our approval You acknowledge and agree that nothing contained herein restricts us, our affiliates or our franchise owners from advertising or soliciting members within the Area of Protection

In the event that the Premises has not be determined as of the Effective Date, you acknowledge that we have the sole right to determine the geographical area specified as the Area of Protection on Exhibit B, in connection with our approval of the Premises

2        **Territorial Rights We Reserve**    The first sentence of Section 1E of the Franchise Agreement is deleted in its entirety and replaced with the following language

Except as expressly limited by Section 1F, you acknowledge and agree that we (and our affiliates) retain all rights with respect to the placement of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities

3        **Covenant Not to Compete**    The first sentence of Section 15F of the Franchise Agreement is deleted in its entirety and replaced with the following language

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15F begin to comply with this Section 15F, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating

- (1)        at the Premises,
- (2)        within the Area of Protection, or
- (3)        within a ten (10) mile radius of the Area of Protection

4        **Exhibit B**    Exhibit B to the Franchise Agreement is deleted in its entirety and replaced with Exhibit B to this Amendment

5        **Miscellaneous**

a        The terms of this Amendment, including exhibits and attachments hereto, form an integral part, and are incorporated into and made a part, of the Franchise Agreement. In the event of a conflict between the terms contained in the Franchise Agreement and this Amendment, the terms and conditions of this Amendment shall govern, control, and supersede any inconsistent or conflicting terms of the Franchise Agreement

b        Except as amended by this Amendment, the terms and conditions of the Franchise Agreement are hereby confirmed, ratified and approved in their entirety, and shall continue in full force and effect, as amended and modified by this Amendment

c        This Amendment may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. Signature by facsimile is hereby authorized and shall have the same force and effect as an original. References to the Franchise Agreement shall mean the Franchise Agreement as amended and modified by this Amendment

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment as of the Effective Date

**BARRE CODE FRANCHISOR, L L C**

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_



**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**  
**PREMISES/AREA OF PROTECTION**

- 1      The Premises of your Studio will be located

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- 2      The Area of Protection consists of

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**EXHIBIT E**  
**TABLE OF CONTENTS TO OPERATIONS MANUAL**

# **The Barre Code's Operations Manual**

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**EXHIBIT F**  
**STATE ADDENDA AND AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
BARRE CODE FRANCHISOR, L L C**

The following are additional disclosures for the franchise disclosure document of Barre Code Franchisor, L L C required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA**

1 THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT

2 SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT

3 OUR WEBSITE, [www.thebarrecode.com](http://www.thebarrecode.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov)

4 The following is added at the end of Item 3

Neither we, our parent, predecessor or affiliate nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

5 The following paragraphs are added at the end of Item 17

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator in or within fifty (50) miles of our then-current principal place of business (currently in Chicago, Illinois) with the costs being borne as provided in the Franchise Agreement. 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 the Franchise Agreement restricting venue to a forum outside the State of California.

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

The Franchise Agreement requires application of the laws of the State of Illinois. This provision might not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code, Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

6 The following paragraph is added at the end of Item 19:

The earnings claims figures do not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Barre Code Studio. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

## **MARYLAND**

- 1 The following is added to the end of Item 5, entitled **Initial Fees**

We will deposit all fees paid to us by each franchisee who either is a resident of the State of Maryland or contracts to operate the a Studio in the State of Maryland in an escrow account pending satisfaction of all of our pre-opening obligations to that franchisee. A copy of the Escrow Agreement between us and the bank controlling our escrow account is on file with the Maryland Securities Division

- 2 The following is added to the end of the “Summary” sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law

- 3 The following is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable

- 4 The following sentence is added to the end of the “Summary” section of Item 17(v), entitled Choice of forum

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

- 5 The following language is added to the end of the chart in Item 17

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise



## **MINNESOTA**

1      **Renewal, Termination, Transfer and Dispute Resolution**      The following is added at the end of the chart in Item 17

With respect to franchises governed by Minnesota law, we will comply with Minn Stat Sec 80C 14, Subds 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement

Minn Stat Sec 80C 21 and Minn Rule 2860 4400J might prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction

Any release as a condition of renewal and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn Rule 2860 4400D

Minn Rule Part 2860 4400J might prohibit a franchisee from waiving rights to a jury trial, waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties, or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows

## **NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT**

2 The following is added at the end of Item 3

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

- A No such party has an administrative, criminal, or civil action pending against that person alleging a felony, violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations
- B No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises and the size, nature or financial condition of the franchise system or its business operations
- C No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices, or comparable allegations
- D No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any 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

3 The following is added to the end of Item 4

Neither the franchisor, its affiliates, its predecessors, officers, or general partners during the 10-year period immediately before the date of the offering circular (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 that officer or general partner of the franchisor held this position in the company or partnership

4 The following is added to the end of Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion

5 The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**

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

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

You may terminate the agreement on any grounds available by law

7 The following is added to the end of the "Summary" section of Item 17(j), entitled **Assignment of contract by franchisor**

However, no assignment will be made except to an assignee who, in the good faith judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement

8 The following is added to the end of the "Summary" sections of Item 17(v), entitled **Choice of forum**, and Item 17(w), entitled **Choice of law**

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

## **VIRGINIA**

1 The following language is added to the end of the "Summary" section of Item 17(e), entitled **Termination by franchisor without cause**

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 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.

## **WASHINGTON FRANCHISE AGREEMENT ADDENDUM**

The state of Washington has a statute, RCW 19 100 180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

The undersigned does hereby acknowledge receipt of this addendum.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the date noted below, to be effective as of the Effective Date of the Franchise Agreement

**BARRE CODE FRANCHISOR, L L C ,**  
an Illinois limited liability company

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Name

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**RIDER TO THE BARRE CODE FRANCHISOR, L L C  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 324 N Michigan Avenue, Chicago, IL 60601 ("we," "us," or "our"), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("you" or "your")

1 The following paragraph is added to the end of Sections 3A

Pursuant to an order of the Illinois Attorney General's Office, imposed based on our financial condition, we (or our affiliates, as applicable) will deposit all initial fees and payments received from you into an escrow account with Chase Bank located in Illinois. Such fees may include (i) the initial franchise fee, and (ii) payments collected from the purchase of supplies and inventory. These funds will remain in escrow until we apply for and obtain their release. We will apply for release of these fees after we have fulfilled our initial obligations under the this Agreement and you have opened your Studio. A copy of the escrow agreement we entered into with Chase Bank is on file with the Illinois Attorney General's Office.

2 **BACKGROUND** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Barre Code Studio that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

3 **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL** The following language is added to the end of Section 17H of the Franchise Agreement:

**HOWEVER, THIS SECTION SHALL NOT ACT AS A CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT OF 1987 AT SECTION 705/41 OR ILLINOIS REGULATIONS AT SECTION 200.609**



4      **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR**    Section 17J of the Franchise Agreement is deleted and replaced with the following

**17J      LIMITATIONS OF CLAIMS AND CLASS ACTION BAR**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED BEFORE THE EXPIRATION OF 3 YEARS AFTER THE ACT OR TRANSACTION CONSTITUTING THE VIOLATION UPON WHICH IT IS BASED, THE EXPIRATION OF 1 YEAR AFTER THE PARTY ASSERTING THE CLAIM BECOMES AWARE OF FACTS OR CIRCUMSTANCES REASONABLY INDICATING THAT HE/SHE MAY HAVE A CLAIM FOR RELIEF IN RESPECT TO CONDUCT GOVERNED BY THE FRANCHISE DISCLOSURE ACT OF 1987 (815 ILCS 705), OR 90 DAYS AFTER DELIVERY TO OPPOSING PARTY OF A WRITTEN NOTICE DISCLOSING THE VIOLATION, WHICHEVER SHALL FIRST EXPIRE HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED HOWEVER, NOTHING CONTAINED IN THIS SECTION SHALL CONSTITUTE A CONDITION, STIPULATION, OR PROVISION PURPORTING TO BIND ANY PERSON TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT OR ANY OTHER LAW OF THE STATE OF ILLINOIS, TO THE EXTENT APPLICABLE

5      **CONSTRUCTION**    The first paragraph of Section 17K of the Franchise Agreement is deleted and replaced with the following

**17K      CONSTRUCTION**

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement), and the related documents, constitutes our and your entire agreement. Other than our representations in the Franchise Disclosure Document you received from us, there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Studio. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing contained herein shall be deemed a waiver of any rights you may have to rely on the franchise disclosure document.

6      **ILLINOIS FRANCHISE DISCLOSURE ACT**      The following language is added as Section 17L of the Franchise Agreement

**17L      ILLINOIS FRANCHISE DISCLOSURE ACT**

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

**[The remainder of this page is intentionally left blank ]**

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement

**BARRE CODE FRANCHISOR, L L C ,**  
an Illinois limited liability company

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Name

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**RIDER TO THE BARRE CODE FRANCHISOR, L L C  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 324 N Michigan Avenue, Chicago, IL 60601 ("we," "us," or "our"), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("you" or "your")

1     **BACKGROUND** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the "Franchise Agreement") This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Barre Code Studio that you will operate under the Franchise Agreement will be located in Maryland-

2     **FEES** The following is added to the end of Section 3A ("Initial Franchise Fee") of the Franchise Agreement

If you are either a resident of the State of Maryland or your Studio will be located in the State of Maryland, we will deposit all fees you pay us into an escrow account pending satisfaction of all of our pre-opening obligations to you. A copy of the Escrow Agreement between us and the bank controlling our escrow account is on file with the Maryland Securities Division

3     **RELEASES** The following is added to the end of Sections 12C(8) ("Conditions for Approval of Transfer"), 12E ("Transfer to a Wholly-Owned Corporation or Limited Liability Company"), 13A(5) ("Your Right to Acquire a Successor Franchise"), and 15E(5) ("Our Right to Purchase Your Studio") of the Franchise Agreement

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law

4     **INSOLVENCY** The following sentence is added to the end of Section 14B(19) ("Termination By Us") of the Franchise Agreement

Section 14B(19) may not be enforceable under federal bankruptcy law (11 U S C Sections 101 et seq )

5     **GOVERNING LAW** Section 17F of the Franchise Agreement is deleted and replaced with the following

EXCEPT WITH RESPECT TO CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW, AND EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U S C SECTIONS 1051 ET SEQ), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL MATTERS

RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U S C §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U S C SECTIONS 1051 ET SEQ), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION ALL CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW WILL BE GOVERNED BY MARYLAND LAW

6      **CONSENT TO JURISDICTION** Section 17G (“Consent to Jurisdiction”) of the Franchise Agreement is deleted and replaced with the following

EXCEPT WITH RESPECT TO CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW, AND SUBJECT TO THE OBLIGATION TO ARBITRATE UNDER SECTION 17E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS NOTWITHSTANDING THE FOREGOING, YOU MAY BRING AN ACTION IN MARYLAND FOR CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

7      **LIMITATIONS OF CLAIMS** The following sentence is added to the end of Section 17J (“Limitations of Claims and Class Action Bar”) of the Franchise Agreement

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise

8      **ACKNOWLEDGMENTS**    The following is added as a new Section 21 to the end of the Franchise Agreement

21      **ACKNOWLEDGEMENTS**

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

*[Signature page to follow]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement

**BARRE CODE FRANCHISOR, L L C ,**  
an Illinois limited liability company

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Name

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**RIDER TO THE BARRE CODE FRANCHISOR, L L C  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER** is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 324 N Michigan Avenue, Chicago, IL 60601 ("we," "us," or "our"), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("you" or "your")

1     **BACKGROUND**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement") This Rider is annexed to and forms part of the Franchise Agreement This Rider is being signed because (a) the Barre Code Studio that you will operate under the Franchise Agreement will be located in Minnesota, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota

2     **RELEASES**   The following is added to the end of Sections 12C(8), 12E, 13A(5), and 15E(5) of the Franchise Agreement

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law

3     **RENEWAL AND TERMINATION**   The following is added to the end of Sections 13 and 14B of the Franchise Agreement

However, with respect to franchises governed by Minnesota law, we will comply with Minn Stat Sec 80C 14, Subds 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement

4     **GOVERNING LAW**   The following shall be added to the end of Section 17F of the Franchise Agreement

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE

5     **CONSENT TO JURISDICTION**   Section 17G of the Franchise Agreement is deleted and replaced with the following

**17G   CONSENT TO JURISDICTION**   SUBJECT TO SECTION 17E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE



COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, CHICAGO, ILLINOIS), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS NOTWITHSTANDING THE FOREGOING, MINN STAT SEC 80C 21 AND MINN RULE 2860 4400J PROHIBIT US, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA NOTHING IN THIS AGREEMENT SHALL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE

6 **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL** If and then only to the extent required by the Minnesota Franchises Law, Section 17H of the Franchise Agreement is deleted

7 **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR** The following is added to the end of Section 17J of the Franchise Agreement

, PROVIDED, HOWEVER, THAT MINNESOTA LAW PROVIDES THAT NO ACTION MAY BE COMMENCED UNDER MINN STAT SEC 80C 17 MORE THAN 3 YEARS AFTER THE CAUSE OF ACTION ACCRUES

**[The remainder of this page is intentionally left blank ]**

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED\*** \_\_\_\_\_  
(\*Effective Date of this Agreement)

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**DATED** \_\_\_\_\_

**RIDER TO THE BARRE CODE FRANCHISOR, L L C  
FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

**THIS RIDER** is made and entered into by and between **BARRE CODE FRANCHISOR, L L C**, a limited liability company formed under the laws of the State of Illinois, with its principal business address at 324 N Michigan Avenue, Chicago, IL 60601 ("**we**," "**us**," or "**our**"), and \_\_\_\_\_ a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ ("**you**" or "**your**")

1     **BACKGROUND**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the "Franchise Agreement") This Rider is being signed because (a) you are domiciled in the State of New York and the Barre Code studio that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York

2     **TRANSFER – BY US**   The following language is added to the end of Section 12A of the Franchise Agreement

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement

3     **RELEASES**   The following is added to the end of Section 12C(8), 12E, 13A(5), and 15E(5) of the Franchise Agreement

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687 4 and 687 5, as amended

4     **TERMINATION BY YOU**   The following language is added to the end of Section 14A of the Franchise Agreement

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York

5     **GOVERNING LAW**   The following language is added to the end of Section 17F of the Franchise Agreement

THIS SECTION SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW, AS AMENDED, AND THE REGULATIONS ISSUED THEREUNDER

6      **CONSENT TO JURISDICTION**    The following language is added to the end of  
Section 17G of the Franchise Agreement

THIS SECTION SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT  
CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE  
NEW YORK STATE GENERAL BUSINESS LAW, AS AMENDED, AND THE  
REGULATIONS ISSUED THEREUNDER

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the  
dates noted below, to be effective as of the effective date of the Franchise Agreement

**BARRE CODE FRANCHISOR, L L C ,**  
an Illinois limited liability company

By \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
Name

By- \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**EXHIBIT G**  
**LIST OF FRANCHISEE**

## LIST OF FRANCHISEES

### FRANCHISED STUDIOS

AS OF DECEMBER 31, 2017

|    | <u>Franchisee</u>            | <u>Studio Address</u>                   | <u>City</u>                    | <u>State</u> | <u>ZIP</u>    | <u>Phone Number</u> |
|----|------------------------------|-----------------------------------------|--------------------------------|--------------|---------------|---------------------|
| 1  | Catherine Noble              | 2700 University Blvd                    | Tuscaloosa                     | AL           | 35401         | (205) 523-5096      |
| 2  | Rachel Humm                  | TBD                                     | San Jose                       | CA           | TBD           | (408) 721-7936      |
| 3  | Maureen Pearman*             | TBD                                     | Lone Tree                      | CO           | TBD           | TBD                 |
| 4  | Kate Dalcamo/ Matt Gallagher | 604 Davis St                            | Evanston                       | IL           | 60201         | (773) 405-3128      |
| 5  | Melissa Ohlson               | 228A Yorktown Center                    | Lombard                        | IL           | 60148         | (630) 785-3299      |
| 6  | Ali Haynes                   | 1040 W Lake Street                      | Oak Park                       | IL           | 60302         | (586) 703-2702      |
| 7  | Jestina Orlando**            | 33 ½ S Prospect & 100-102 E Wing St     | Park Ridge & Arlington Heights | IL           | 60068 & 60004 | (847) 456-2149      |
| 8  | Cassie Rippberger            | 850 N Milwaukee Ave , Suite 200         | Vernon Hills                   | IL           | 60061         | (224) 424-4398      |
| 9  | Danielle Hacker              | 10080 E 121 <sup>st</sup> St, Suite 121 | Fishers                        | IN           | 46037         | (317) 915-6010      |
| 10 | Jen Chow*                    | TBD                                     | Indianapolis                   | IN           | TBD           | TBD                 |
| 11 | Amanda and Ben Hiner         | 12442 Shelbyville Rd                    | Louisville                     | KY           | 40243         | (502) 558-2699      |
| 12 | Kelley Ellis/Marissa Brown   | 787 Harrison Ave                        | New Orleans                    | LA           | 70124         | (504) 900-1770      |

If you buy this franchise your contact information may be disclosed to other buyers when you leave the franchise system

|    | <u>Franchisee</u>                | <u>Studio Address</u>                                                        | <u>City</u>                                       | <u>State</u> | <u>ZIP</u>                     | <u>Phone Number</u> |
|----|----------------------------------|------------------------------------------------------------------------------|---------------------------------------------------|--------------|--------------------------------|---------------------|
| 13 | Adrienne Madias**                | 2793 Plymouth Road<br>&<br>500 E Washington,<br>Suite 1                      | Ann Arbor                                         | MI           | 48105<br>&<br>48104            | (734) 436-<br>4948  |
| 14 | Janelle Fox/Lindsay<br>Irrer**   | 555 Old Woodward<br>Ave , Suite 13L, 1260<br>Walton Blvd, & 855<br>S Main St | Birmingham,<br>Rochester<br>Hills, & Royal<br>Oak | MI           | 48009,<br>48307,<br>&<br>48067 | (248) 220-<br>4062  |
| 15 | Michelle Gimbutis*               | TBD                                                                          | East Lansing                                      | MI           | TBD                            | TBD                 |
| 16 | Stacie Thomas*                   | TBD                                                                          | Grand Rapids                                      | MI           | TBD                            | TBD                 |
| 17 | Lauren Travis*                   | TBD                                                                          | Charlotte                                         | NC           | TBD                            | TBD                 |
| 18 | Sara Kohll                       | 5002 Dodge Street                                                            | Omaha                                             | NE           | 68132                          | (402) 216-<br>5192  |
| 19 | Bonnie Eisenhart                 | 16811 Burke St                                                               | West Omaha                                        | NE           | 68118                          | (402) 289-<br>2200  |
| 20 | Michelle Ziegler                 | 615 Main Street                                                              | Cincinnati                                        | OH           | 45202                          | (513) 345-<br>7163  |
| 21 | Meredith Ward**                  | 804 South Aiken Ave<br>& 741 Providence<br>Blvd                              | Pittsburgh                                        | PA           | 15232<br>&<br>15237            | (412) 802-<br>8585  |
| 22 | Courtney Vorachek                | 1440 Ben Sawyer<br>Blvd , Suite 1500                                         | Charleston                                        | SC           | 29464                          | (843) 732-<br>1805  |
| 23 | Cam and Michael<br>Kirschner     | 2300 S Lamar Blvd                                                            | Austin                                            | TX           | 78794                          | (513) 345-<br>7163  |
| 24 | Lori Lesniewski/ Julie<br>Matusz | 1430 Dragon St Ste<br>25                                                     | Dallas                                            | TX           | 75207                          | (972) 803-<br>5144  |
| 25 | Kiersten Bond                    | 5757 W Lovers Lane<br>Suite 350                                              | Highland<br>Park                                  | TX           | 75209                          | (734) 904-<br>5182  |
| 26 | Julie Godfrey                    | 4757 W Park Blvd ,<br>Suite 112                                              | Plano                                             | TX           | 75093                          | (469) 298-<br>0482  |
|    | Amy Newbold Cathey*              | TBD                                                                          | Spokane                                           | WA           | TBD                            | TBD                 |
| 27 | Kellian Jacobs                   | 316 W Washington<br>Ave , Suite 125                                          | Madison                                           | WI           | 53703                          | (608) 467-<br>9708  |

If you buy this franchise your contact information may be disclosed to other buyers when you leave the franchise system

|    | <u>Franchisee</u>  | <u>Studio Address</u>                           | <u>City</u>               | <u>State</u> | <u>ZIP</u>          | <u>Phone Number</u> |
|----|--------------------|-------------------------------------------------|---------------------------|--------------|---------------------|---------------------|
| 28 | Betsy Williamson** | 225 N Water Street<br>& 18000 W<br>Bluemound Rd | Milwaukee &<br>Brookfield | WI           | 53202<br>&<br>53045 | (414) 763-<br>1314  |

An asterisk (\*) indicates any studios that have not yet opened for business

Two asterisks (\*\*) indicates multi-studio owners

### **LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**FOR THE PERIOD FROM JANUARY 2016 TO DECEMBER 31, 2017**

|   | <u>Franchisee</u>  | <u>Studio Address</u> | <u>City</u> | <u>State</u> | <u>ZIP</u> | <u>Phone Number</u> |
|---|--------------------|-----------------------|-------------|--------------|------------|---------------------|
| 1 | Lianne Cornell     | N/A                   | Atlanta     | GA           | N/A        | N/A                 |
| 2 | Elizabeth Kurdilla | N/A                   | Cleveland   | OH           | N/A        | N/A                 |
| 3 | Katherine Graham   | 900 Museum Way        | Fort Worth  | TX           | 76107      | (817) 810-9989      |

If you buy this franchise your contact information may be disclosed to other buyers when you leave the franchise system



**EXHIBIT I**

**REPRESENTATIONS AND ACKNOWLEDGEMENT STATEMENT**

## **REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT**

The purpose of this Statement is to demonstrate to Barre Code Franchisor, L L C ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Barre Code Studio franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise

In that regard, I represent to Franchisor and acknowledge that

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.                                                                                         | INITIAL |
| I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise. | INITIAL |
| Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.                                                                                                                                                                                                                                                                                                                                                                                    | INITIAL |
| My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | INITIAL |
| I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | INITIAL |

|                                                                                                                                                                                                                                                                                                                                                                                                                    |                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <p>I have not received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of my success) except as indicated below</p> <p>_____</p> <p>_____</p> | <p>INITIAL</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|

**Prohibited Parties Clause** I acknowledge that Franchisor, its employees and its agents are subject to U S laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U S Executive Order 13224, the U S Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-Terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U S Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U S laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on

- 1 the U S Treasury Department's List of Specially Designated Nationals,
- 2 the U S Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders,
- 3 the U S State Department's Debarred List or Nonproliferation Sanctions, or
- 4 the Annex to U S Executive Order 13224

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U S anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the Barre Code Studio franchise that you will purchase is located in Maryland or if you are a resident of Maryland, the following will apply

The representations made in this Representations and Acknowledgment Statement are not intended to, nor shall they act as a release, estoppels, or waiver of any liability under the Maryland Franchise Registration and Disclosure Law

## FRANCHISEE

Sign here if you are taking the franchise as an  
**INDIVIDUAL(S)**  
(Note use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

\_\_\_\_\_  
**Signature**  
Print Name \_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
**Signature**  
Print Name \_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
**Signature**  
Print Name \_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
**Signature**  
Print Name \_\_\_\_\_  
Date \_\_\_\_\_

Sign here if you are taking the franchise as a  
**CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP**

\_\_\_\_\_  
Print Name of Legal Entity

By \_\_\_\_\_  
**Signature**

Print Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**EXHIBIT J**  
**SAMPLE GENERAL RELEASE**

## **GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE**

Barre Code Franchisor, L L C ("we," "us," or "our") and the undersigned franchisee, \_\_\_\_\_ ("you" or "your"), currently are parties to a certain franchise agreement (the "Franchise Agreement") dated \_\_\_\_\_, 20\_\_\_\_. You have asked us to take the following action or to agree to the following request [insert as appropriate for renewal or transfer situation] \_\_\_\_\_

\_\_\_\_\_. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, members, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Franchisor Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties, including without limitation, Claims (1) arising out of or related to the Franchisor Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Releasing Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

IF THE STUDIO YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY

**SECTION 1542 ACKNOWLEDGMENT** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY

UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR ”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below

**BARRE CODE FRANCHISOR, L L C** , an Illinois limited liability company

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP)**

\_\_\_\_\_  
[Entity Name]

\_\_\_\_\_  
Signature

Name \_\_\_\_\_

Title \_\_\_\_\_

**DATED** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL AND  
NOT A LEGAL ENTITY)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
[Print Name]

**DATED** \_\_\_\_\_



**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT  
DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY  
UNTRUE STATEMENT OF A MATERIAL FACT**

**EXHIBIT K**

**RECEIPTS**

**RECEIPT  
(OUR COPY)**

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

If Barre Code Franchisor, L L C offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Barre Code Franchisor, L L C or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If Barre Code Franchisor, L L C 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 law 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 A.

The franchisor offering the franchise: Barre Code Franchisor, L L C, 435 N Lasalle Blvd, LL2, Chicago, IL 60654, (312) 595-1600. The individual franchise seller who offered you a Barre Code Studio is:

|                                                 |                                |                                |
|-------------------------------------------------|--------------------------------|--------------------------------|
| <input type="checkbox"/> <u>Samantha Pielet</u> | <input type="checkbox"/> _____ | <input type="checkbox"/> _____ |
| <u>Barre Code Franchisor, L L C</u>             | _____                          | _____                          |
| <u>435 N Lasalle Blvd, LL2</u>                  | _____                          | _____                          |
| <u>Chicago, IL 60654</u>                        | _____                          | _____                          |

Issuance Date: April 8, 2018

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated April 8, 2018, that included the following Exhibits:

|                                                                       |                                                          |
|-----------------------------------------------------------------------|----------------------------------------------------------|
| Exhibit A: State Administrators/Agents for Service of Process         | Exhibit G: List of Franchisees                           |
| Exhibit B: Franchise Agreement                                        | Exhibit H: Financial Statements                          |
| Exhibit C: Amendment to Franchise Agreement for Territory Development | Exhibit I: Representations and Acknowledgment Statements |
| Exhibit D: Amendment to Franchise Agreement for Area of Protection    | Exhibit J: Sample General Release                        |
| Exhibit E: Table of Contents / Operations Manual                      | Exhibit K: Receipts                                      |
| Exhibit F: State Addenda and Agreement Riders                         |                                                          |

**PROSPECTIVE FRANCHISEE**

If a business entity:

\_\_\_\_\_  
Name of Business Entity  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
(Print Name) \_\_\_\_\_  
Dated: \_\_\_\_\_  
(Do not leave blank)

If an individual:

\_\_\_\_\_  
(Print Name) \_\_\_\_\_  
Dated: \_\_\_\_\_  
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail or e-mail, to Samantha Pielet at Barre Code Franchisor, L L C, 435 N Lasalle Blvd, LL2, Chicago, IL 60654, email [Samantha@thebarrecode.com](mailto:Samantha@thebarrecode.com)

**RECEIPT  
(YOUR COPY)**

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

If Barre Code Franchisor, L L C offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Barre Code Franchisor, L L C or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If Barre Code Franchisor, L L C 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 law 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 A.

The franchisor offering the franchise: Barre Code Franchisor L L C 435 N Lasalle Blvd LL2 Chicago, IL 60654 (312) 595-1600. The individual franchise seller who offered you a Barre Code Studio is:

|                                                 |                                |                                |
|-------------------------------------------------|--------------------------------|--------------------------------|
| <input type="checkbox"/> <u>Samantha Pielet</u> | <input type="checkbox"/> _____ | <input type="checkbox"/> _____ |
| <u>Barre Code Franchisor, L L C</u>             | _____                          | _____                          |
| <u>435 N Lasalle Blvd, LL2</u>                  | _____                          | _____                          |
| <u>Chicago, IL 60654</u>                        | _____                          | _____                          |

Issuance Date: April 8, 2018

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|           |                                                            |           |                                               |
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| Exhibit E | Table of Contents / Operations Manual                      | Exhibit K | Receipts                                      |
| Exhibit F | State Addenda and Agreement Riders                         |           |                                               |

**PROSPECTIVE FRANCHISEE**

If a business entity

\_\_\_\_\_  
Name of Business Entity

By \_\_\_\_\_

Its \_\_\_\_\_  
(Print Name)

Dated \_\_\_\_\_  
(Do not leave blank)

If an individual

\_\_\_\_\_  
(Print Name)

Dated \_\_\_\_\_  
(Do not leave blank)