# FRANCHISE DISCLOSURE DOCUMENT

**Yoga Six Franchise, LLC**
**a Delaware limited liability company**
**17877 Von Karman Ave, Suite 100**
**Irvine, California 92614**
**949-529-1880**
**lindsay@yogasix.com**
**www.yogasix.com**

Yoga Six Franchise, LLC ("we," "us," or "our") offers for sale a franchise to establish and operate a fitness studio that offers and provides indoor yoga classes/instruction and other related exercise classes under the our then-current proprietary marks, which currently includes our principal mark YOGA SIX (each, a "Studio").

The total investment necessary to begin operations of a Studio franchise ranges from $279,997 to $496,681. This amount includes $121,558 and $130,258 must be paid to the franchisor or its affiliate prior to opening.

The total investment necessary to develop multiple Studios under our form of area development agreement depends on the number of franchises we grant you the right to open, which in all cases will be three (3) or more under this Disclosure Document. The total investment necessary to enter into an area development agreement for the right to develop three (3) Studios is $354,997 and $571,681 which includes (a) a development fee of $135,000 that is paid to us or our affiliates prior to opening, and (b) the total estimated initial investment to begin operation of your initial Studio (as described above).

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lindsay Junk at Yoga Six Franchise, LLC, 17877 Von Karman Avenue, Suite 100, Irvine, California 92614 and at (949) 529-1880.

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

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

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

**THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS:** April 29, 2020.

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## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

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## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in California than in your own states.

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

3. **Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. **Minimum Sales Performance.** You must meet minimum sales performance levels. Your inability to maintain these levels may result in loss of territorial rights, termination of your franchise, and loss of your investment.

5. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you. The franchisor's most recent audited financial statements reflect that current liabilities exceed current assets. This means that the franchisor may not have the financial resources to provide services or support to you.

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

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## TABLE OF CONTENTS


**PAGE**

**ITEM 1 THE FRANCHISOR, ANY PARENTS, PREDECESSORS AND AFFILIATES ..... 2**
**ITEM 2 BUSINESS EXPERIENCE ..... 7**
**ITEM 3 LITIGATION ..... 8**
**ITEM 4 BANKRUPTCY ..... 8**
**ITEM 5 INITIAL FEES ..... 8**
**ITEM 6 OTHER FEES ..... 10**
**ITEM 7 ESTIMATED INITIAL INVESTMENT ..... 18**
**ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 24**
**ITEM 9 FRANCHISEE'S OBLIGATIONS ..... 28**
**ITEM 10 FINANCING ..... 30**
**ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING ... 30**
**ITEM 12 TERRITORY ..... 44**
**ITEM 13 TRADEMARKS ..... 48**
**ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION ..... 50**
**ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ..... 51**
**ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 51**
**ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION ..... 52**
**ITEM 18 PUBLIC FIGURES ..... 63**
**ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS ..... 63**
**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION ..... 65**
**ITEM 21 FINANCIAL STATEMENTS ..... 67**
**ITEM 22 CONTRACTS ..... 697**
**ITEM 23 RECEIPTS ..... 69**


**Exhibits**


A. FRANCHISE AGREEMENT AND EXHIBITS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
C. FINANCIAL STATEMENTS
D. STATEMENT OF PROSPECTIVE FRANCHISEE
E. TABLE OF CONTENTS OF MANUAL
F. SAMPLE FORM OF GENERAL RELEASE
G. STATE SPECIFIC ADDENDA
H. LIST OF FRANCHISEES AND FRANCHISEES THAT LEFT OUR SYSTEM
I. DEVELOPMENT AGREEMENT
J. STATE EFFECTIVE DATES
K. RECEIPTS

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

To simplify the language, this disclosure document uses "we," "us," "our," "Franchisor" or "Yoga Six" to mean Yoga Six Franchise, LLC, the franchisor. "You" means the person, corporation, partnership or other entity that buys the franchise. Terms not defined in this Disclosure Document (including various capitalized terms) are defined in the Franchise Agreement attached as **Exhibit A** to this Disclosure Document (the "Franchise Agreement").

### Franchisor

We do business under the name Yoga Six Franchise, LLC, or in some cases, simply as "Yoga Six." We do not do business under any other name. Our principal business address is 17877 Von Karman Avenue, Suite 100, Irvine, California 92614 and our business phone number is (949) 529-1880. We are a Delaware limited liability company formed on July 6, 2018.

We are in the business of offering and awarding franchises for the right to independently own and operate a franchised Studio that utilizes our then-current proprietary marks (the "Marks") and business operations system that we and our affiliates have developed (the "System"), as disclosed more fully below in this Item.

Except as provided in this Item, we do not offer franchises in any other line of business, and we are not otherwise involved in any substantive business activity. As of the Issue Date, we have not and do not currently directly own or operate any Studios that are substantially similar to the franchised Studio being offered in this Disclosure Document (each, a "Franchised Business"). The original founder of our brand, namely Yoga Six Company, LLC (a non-affiliated entity formed under the laws of California), currently operates a total of seven (7) Studios that are operated in a substantially similar manner as the Franchised Business being offered in this Disclosure Document utilizing the Marks and System (the "Existing Studios"). We expect and intend to enter into franchise agreements with the owner of these Studios, which will be operated as Franchised Businesses moving forward once we are able to offer and sell franchises in the area where these Studios are located.

### Parents and Predecessors

Xponential Fitness, LLC ("Xponential") is our direct parent company. Xponential is a Delaware limited liability company with a principal business address at 17877 Von Karman Avenue, Suite 100, Irvine, California 92614. Xponential does not provide products or services to our franchisees and does not offer/sell franchises in any line of business. Xponential is owned by H&W Franchise Holdings, LLC ("H&W"), a Delaware entity with a principal business address at 17877 Von Karman Avenue, Suite 100, Irvine, California 92614. H&W is controlled by H&W Investco LP ("H&W Investco"), a limited partnership formed under the laws of Delaware with the same principal address as H&W. H&W Investco is controlled and indirectly owned by MGAG LLC, a Delaware limited liability company with the same principal business address as H&W. None of these entities: (i) provide products or services to our franchisees directly; or (ii) have directly offered or sold franchises in any line of business.

We do not have any predecessors that require disclosure in this Item.

### Affiliates

Our affiliate, CycleBar Franchising, LLC ("CBF"), an Ohio limited liability company with a principal business address of 299 E 6th St., Floor 1, Cincinnati, Ohio 45202, franchises indoor cycling studios under the CYCLEBAR® marks. CBF began franchising CYCLEBAR studios in January 2015. As of December 31, 2019, there were 193 franchised CYCLEBAR studios in operation. CBF has also offered area representative franchise since March 2017, and CBF had one area representative open and in operation as of December 31, 2019.



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Our affiliate, CycleBar Canada Franchising, LLC ("CycleBar Canada"), a British Columbia unlimited liability company with a registered office at 2200 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8, offers CYCLEBAR franchises in Canada. Our affiliate, CycleBar International Inc. ("CycleBar International") an Ohio corporation with a principal business address of 299 E 6th St., Floor 1, Cincinnati, OH 45202 offers CYCLEBAR franchises in other international territories. CycleBar Canada has offered franchises in Canada since August 2015, and CycleBar International has offered franchises outside the United States since February 2016.

Our affiliate, Club Pilates Franchise, LLC ("CP Franchising"), a Delaware limited liability company with a principal business address at 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises fitness studios that provide Pilates and other exercise classes under the CLUB PILATES® marks. CP Franchising began offering franchises in March 2015 and, as of December 31, 2019, there were 553 franchised CLUB PILATES studios in operation.

Our affiliate, AKT Franchise, LLC ("AKT Franchising"), a Delaware limited liability company with a principal business address at 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises fitness studios that provide indoor fitness classes/instruction through a combination of circuit training, dance cardio, Pilates, and yoga under the AKT® marks. AKT Franchising began franchising at some point in July 2018. As of December 31, 2019, there were 6 franchised AKT studios actively open and providing classes.

Our affiliate, PB Franchising, LLC ("PB Franchising"), a Delaware limited liability company with a principal business address at 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises fitness studios that provide indoor fitness classes/instruction through a combination of Pilates, weights and ballet, including using a ballet barre, under the PURE BARRE marks. PB Franchising commenced franchising as the franchising arm of the brand in October 2012 and, as of December 31, 2019, there were 540 franchised PURE BARRE studios actively open and providing classes.

Our affiliate, Row House Franchise, LLC ("Row House Franchise"), a Delaware limited liability company with a principal business address at 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises rowing and free weight exercise classes under the ROW HOUSE® marks. Row House Franchise began franchising ROW HOUSE studios at some point in early 2018. As of December 31, 2019, there were 54 franchised ROW HOUSE actively open and providing services.

Our affiliate, Stretch Lab Franchise, LLC ("SL Franchising"), a Delaware limited liability company with a principal business address of 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises fitness studios that provide stretching classes in both private and group formats, related therapy activities and, if approved, a proprietary "flexologist" training programs under the STRETCH LAB® marks. SL Franchising began offering franchises for STRETCH LAB studios in late December 2017. As of December 31, 2019, there were 64 franchised STRETCH LAB studios actively open and providing classes.

Our affiliate, Stride Franchising, LLC ("Stride Franchising"), a Delaware limited liability company with a business address at 17877 Von Karman Ave., Suite 100, Irvine, California 92614, franchises fitness studios that provide indoor running classes and related fitness classes and instructions through the use of treadmills and live instruction under its then-current proprietary marks, including its current primary mark STRIDE. As of December 31, 2019, there was 1 franchised STRIDE studio actively open and providing classes.

As of the Issue Date, we also have three (3) other affiliates that previously offered franchises outside of the fitness industry that no longer require disclosure because they ceased franchising in 2019 and, as of the Issue Date, they have no plans to resume offering franchises in our next fiscal year.



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As disclosed in Item 12 of this Disclosure Document, our Parent may acquire or develop other affiliate franchisor brands, whether in the fitness industry or otherwise, in the future at its discretion.

Except as provided above, we do not have any affiliates that require disclosure in this Item.

**Agent for Service of Process**

Our agents for service of process are disclosed in **Exhibit B**.

**The Franchised Business We Offer**

We offer for sale a franchise to operate a Franchised Business that is operated pursuant to the terms of our franchise agreement attached to this Disclosure Document as Exhibit A (the "Franchise Agreement"). We expect that a Studio will typically be located in a retail shopping center, and this franchise offering assumes that the size of a typical Studio will be at least around 2,000 square feet in size. We may (but are under no obligation to) consider alternative sites, on a case-by-case basis.

Under the Franchise Agreement, we will also grant you the right to operate your Franchised Business within a designated geographical area wherein you will also be able to actively promote the Franchised Business and solicit new clientele (the "Designated Territory"). If you (a) own an existing yoga studio or similar fitness facility, and (b) meet our other qualifications, then we may permit you to convert your existing business to a Studio. A converted Studio will likely encounter lower investment requirements than those of a start-up Studio.

Each Studio will typically offer and provide: (i) yoga and other exercise programs through live instructional group and individual classes; (ii) clientele membership programs whereby your Studio clientele can attend a defined number of classes over a given period of time; (iii) any other services that we develop, designate and/or otherwise authorize such Studio(s) to offer in writing (collectively, the "Approved Services").

As described more fully in this Disclosure Document, a franchised Studio may be permitted and authorized to provide our proprietary "Teacher Training Program" as part of its Approved Services, provided the Studio at issue has (i) a "Master Trainer" on-site at the Studio to provide this Program to clientele or other potential instructors of your Studio, and (ii) the franchisee that owns that Studio has otherwise demonstrated that it is capable of providing the Teacher Training Program via such a Master Trainer without affecting the Studio's provision of other Approved Services. Typically, all classes and other Approved Services will be paid for and scheduled online via the Internet.

As part of the franchise relationship under the Franchise Agreement, our franchisees are each granted the right to open and operate their respective Franchised Business(es) utilizing: (i) our then-current Marks, which may include trademarks, service marks, trade names, trade dress, logo and other source identifying branding; and (ii) our then-current proprietary business operations System that is comprised of, among other things (a) initial and ongoing training and instruction and corresponding training materials, (b) one (1) or more templates with respect to the design and layout of a typical Studio, (c) specifications and standards for the offer and provision of the Approved Services and otherwise manage and operate a Studio, (d) standards and specifications for certain furniture, fixtures, equipment, supplies, inventory and the buildout associated with the establishment and ongoing operation of a Franchised Business, including certain packages comprised of these kinds of items that can be purchased from us or the supplier we have designated or approved for such items/packages (each, an "Approved Supplier"), (e) access to Approved Suppliers, including those with which we have established relationships; standards regarding quality customer service and certain financial control; and advertising, marketing and promotional programs and/or campaigns.



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Our then-current System standards, specifications and procedures (collectively, the "System Standards") are typically described in our confidential operations manual (the "Operations Manual"), other written manuals we may loan to our System franchisees (collectively, the "Manuals") or otherwise in writing by us. Please note that we always have the irrevocable right to supplement, discontinue, substitute and/or otherwise modify or further develop the Marks, System and Manuals, as we determine appropriate in our discretion.

Before any instructor you engage can provide the Approved Services at your Studio, that instructor must have successfully completed either: (i) a minimum 200-hour yoga teacher training that is registered with Yoga Alliance as necessary to become a "Registered Yoga Trainer" or "RYT" in accordance with the Alliance's requirements and criteria (a "Third-Party RYT Program"); or (ii) our proprietary yoga teacher training program consisting of approximately 200 hours of instruction that is provided (a) remotely via instructional videos, and (b) on-site at a Studio that has a Master Trainer present to provide this program some of which is done in-studio and some of which is done remotely through instruction videos (our "Teacher Training Program"). An instructor who successfully completes our Teacher Training Program will then be registered as a Registered Yoga Trainer (or RYT). Once an instructor has become a RYT through completion of a Third-Party RYT Program or our own Teacher Training Program, that instructor must also complete our proprietary "bridge training" that is designed to provide instruction on the particular methodology associated with providing the Approved Services under the Marks at a Studio in accordance with our System standards and specifications (the "Bridge Training").

An instructor who has fully completed the Program(s) and Bridge Training described above will be deemed and referred to as an "Authorized Instructor" for purposes of this Disclosure Document. A typical Studio will typically have at least five (5) Authorized Instructors that are in a position to provide the Approved Services upon our approved opening of that Studio. While we strongly recommend that you initially engage personnel with appropriate RYT status to serve as your Authorized Instructors upon opening, if you should determine to engage initial instructors who have not completed a Third-Party RYT Program, those individuals will need to attend and complete the Teacher Training Program at another Franchised Business or one of the Existing Studios prior to you opening your franchised Studio.

Once your Studio is open and operating, you will have the option of providing the Teacher Training Program as part of the Approved Services from your Studio, provided: (i) you have, or have engaged, an Authorized Instructor that completes the additional training that we determine appropriate to become a "Master Trainer" that is eligible to provide the Teacher Training Program from a Franchised Business; and (ii) you are otherwise in compliance with your obligations under your Franchise Agreement. The Master Trainer may be an employee of your Studio who received the requisite training, or a Master Trainer that typically provides services at another Studio who you engage to come provide the Teacher Training Program at your Studio. Once a Master Trainer, an instructor can provide the Teacher Training Program to (a) individuals interested in becoming Authorized Instructors, or (b) any other clients of that Studio (or other Studio) that wishes to attend the Teacher Training Program at that Studio (subject to any restrictions you have on recruiting and/or soliciting any such clients that are located outside your Designated Territory). Regardless of whether the Teacher Training Program is provided at a franchised or affiliate-owned studio, the Teacher Training Tuition, which is described more fully in Item 6, will be collected by our Approved Supplier for payment processing, with a portion being retained by us for certain materials that we provide in connection with this training and the balance going to your Franchised Business (or the appropriate Studio that will be providing the in-person instruction).

Prior to opening your Franchised Business, you must ensure that: (i) you (or, if you are an entity, one of your Designated Operators) complete at least the owner/operator module of our initial training program" (the "Owner/Operator Module"); and (ii) your initial instructor(s) each attend and complete the necessary training described above to be deemed Authorized Instructors and thus be able to provide the Approved Services at your Franchised Business; and (iii) at least one (1) Authorized Instructor is on-site at all times your Franchised Business is open.



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The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Designated Operator(s)") of your Franchised Business. The Designated Operator(s) named has the authority to act for you in all matters relating to your Franchised Business, including voting responsibilities. By signing the Franchise Agreement, you and the Designated Operator(s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or your Designated Operator(s) may be involved, we may require you or your Designated Operator(s) to sign additional confidentiality and non-competition agreements.

**Multi-Unit Offering**

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the "Development Area") under our current form of development agreement that is attached to this Disclosure Document as Exhibit I (the "Development Agreement"), which will also outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a "Development Schedule").

You will be required to sign a Franchise Agreement for the initial Franchised Business we grant you the right to open within the Development Area at the same time you sign your Development Agreement, and you will need to sign our then-current form of franchise agreement for each of the Franchised Businesses you open under the Development Schedule, which may differ from the current franchise agreement included with this Disclosure Document.

You will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we grant you the right to open under the Development Agreement (the "Development Fee"), but you will not be required to pay any initial franchise fee at the time you execute your franchise agreements for each Franchised Business we permit you to open under your Development Agreement.

**Market and Competition**

The market for fitness services and studios is crowded. You will face competition for members from gyms, personal trainers, fitness/exercise centers and studios, health clubs, yoga and Pilates studios and even other Yoga Six franchisees (subject to the territorial protections and restrictions set forth in Item 12). The market for the Approved Services does not fluctuate seasonally.

**Applicable Regulations**

Some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. At a minimum, your Studio will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency's permission before you begin operations. In addition, there may be local licensing and employment regulations, including worker's compensation insurance requirements.

You will be solely responsible for ensuring you acquire and maintain any specific licenses, permits, authorizations or otherwise that may be required to operate your Studio under the applicable laws of where your Studio is located. Among other things, you will need to ensure that all music played by you or your Authorized Instructors at the Studio is properly licensed for use in connection with the provision of the Approved Services or, if permitted by us, any other purpose.



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You should examine the laws and regulations described above and confirm you will be able to operate your Studio in compliance with the same before purchasing a franchise.

You should consult with your attorney, and local and state agencies/authorities, before buying a franchise to determine if there are any specific regulations you must comply with as it relates to offering the Studio products and services to consumers in your state, and consider the effects on you and the cost of compliance. These requirements can affect a broad scope of your operations, including location selection, and hiring of personnel, among other things. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a Studio generally.

## ITEM 2
## BUSINESS EXPERIENCE

**Lindsay Junk: President**

Ms. Junk has served as our President since our inception and primarily performs her responsibilities from Irvine, California. Ms. Junk previously served as: (i) the Chief Development Officer of Tru Fusion, located in Henderson, Nevada, from September 2016 to August 2018; (ii) the Senior Vice President of Yoga Works, located in Culver City, California, from November 2009 to September 2016; and (iii) District Manager of 24 Hour Fitness, located in San Ramon, California, from August 1999 to October 2016.

**Nate Chang: Chief Marketing Officer**

Mr. Chang has served as our Chief Marketing Officer since our inception and primarily performs his responsibilities from Irvine, California. Mr. Chung previously served as: (i) the Senior Director of Marketing for UFC Gym, located in Santa Ana, California, from February 2016 to August 2018; and (ii) the Field Marketing Manager of Rita's Italian Ice, located in Trevose, Pennsylvania, from April 2013 to January 2016.

**Kelly Clifton Turner: Director of Education**

Ms. Turner has served as our Director of Education since August 2018. Ms. Turner previously worked for Yoga Six Company, LLC in San Diego, California, serving as the Vice President of Programming and Product Development from February 2018 to August 2018, the Director of Programming from July 2016 to February 2018, the Regional Manager of Major Markets from December 2015 to July 2016 and the Regional Programming Manager from August 2014 to December 2015. She also served as a Lead Teacher at Yoga Six Carlsbad from November 2012 to August 2014.

**Mike Leonard: Director of Sales**

Mr. Leonard has served as our Director of Sales since August 2018. Mr. Leonard previously served as the Development Director of Yoga Works, located in Culver City, CA, from June 2010 to August 2018.

**Jason Losco: Vice President of Franchise Development**

Mr. Losco has served as Vice President of Franchise Development for us and certain of our affiliate franchisor brands since January 2019, but has served in this role for Xponential (both located in Irvine, CA) since May 2018. From May 2016 to May 2018, Mr. Losco served as National Director of Franchise Development for UFC Gym, located in Newport Beach, California, and from April 2009 to June 2016, he served as Co-Founder of 10 Count Management in New York, New York.



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**Rachel Hirsch : Director of Finance**

Mrs. Hirsch has served as the Director of Finance for us since August 2019. From June 2017 to July 2019, Mrs. Hirsch was an MBA student at the London Business School, located in London, UK. From March 2016 to June 2017, she was a Senior Analyst at The Keystone Group, located in Chicago, IL and, from January 2015 through March 2016, she served as an Associate at Mesirow Financial in Chicago, IL. From November 2013 through January 2015, she worked as an Associate for Tiger Global, located in New York, NY, from November 2013.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

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

## ITEM 5
## INITIAL FEES

**Franchise Agreement**

*Initial Franchise Fee*

You must pay to us a lump sum initial franchise fee of $60,000 (the "Initial Franchise Fee") to establish a single Studio under a Franchise Agreement (whether a start-up or conversion). The Initial Franchise Fee is due upon the signing of the Franchise Agreement. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance. Except as disclosed in this Item, we uniformly impose the Initial Franchise Fee on all parties that are purchasing a single Franchised Business.

*Initial FFE Package*

You must purchase an initial package of furniture, fixtures and equipment that is designed to provide you with the majority of these items that you will need in connection with outfitting, equipping and otherwise building out your Studio (the "Initial FFE Package"), including related shipping costs. These items are identified as fees payable to us (at least in part) in the Item 7 Chart under the subheadings "Specialty and Other Exercise Equipment," "Furniture, Fixtures and Related Supplies," and "Shipping."

As of the Issue Date of this Disclosure Document, you will pay us between $37,558 and $46,258 for your Initial FFE Package that will typically be comprised of (a) yoga mats, yoga blocks, other exercise accessory equipment and related items for use in connection with the provision of the Approved Services, (b) a Studio fixture package comprised of a desk, displays and display rack, storage cubbies, pedestals, and assorted other fixtures, and (c) a HVAC setup. You must currently purchase the Initial FFE Package from us, but we reserve the right to designate another approved supplier in our sole discretion.

You must purchase the Initial FFE Package prior to or upon delivery of the Initial FFE Package to you, and each of the fees described above comprising the Initial FFE Package is non-refundable under any circumstances and, except as provided above, will be uniformly imposed.



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*Opening Inventory - Retail*

Prior to opening your Studio, you must purchase opening inventory from us at a cost of approximately $12,000 ("Opening Retail Inventory"), which includes apparel and other branded merchandise that will be available for resale as part of your Approved Products, including t-shirts, towels, exercise clothing and related accessories. The amount paid for the Opening Retail Inventory is (a) due prior to or upon delivery of the Opening Retail Inventory (as we determine appropriate), (b) non-refundable under any circumstances, and (c) imposed uniformly on our System franchisees.

*Bridge Training from Master Trainer (for Initial Staff of Authorized Instructors)*

Prior opening your Franchised Business, you must arrange for us to send you one (1) of our Master Trainers to provide Bridge Training at your Studio prior to opening to provide appropriate Bridge Training to you and your initial staff of Authorized Instructors, and (ii) pay us our then-current training fee for Bridge Training, which is currently between $3,000 and $3,500 (when accounting for possibly travel and lodging costs/expenses of the Master Trainer that you may be required to cover).

We reserve the right to collect this training fee at the time you execute your Franchise Agreement or any other time we designate prior to us sending a Master Trainer to provide this Bridge Training, and this amount will be deemed fully earned upon payment and not refundable under any circumstances. We will impose our then-current training fee for Bridge Training on all new System franchisees uniformly.

Our standard franchise offering assumes and expects that you will arrange for a Master Trainer to come to the Premises of your franchised Studio to provide Bridge Training to all initial Authorized Instructors at the same time, and that you will arrange for such personnel to be at the Premises and ready to participate and complete such training.

*Technology Fee (1 Month Prior to Opening)*

You will be required to commence paying us our then-current Technology Fee monthly, which is currently $330/month as described more fully in Item 6 of this Disclosure Document below, in the calendar month preceding the contemplated or required opening date of your franchised Studio. As such, our standard franchise offering assumes and expects that you will pay us your first Technology Fee amounting to $330 prior to the opening of your Franchised Business. The fee is deemed fully earned upon payment and is not refundable under any circumstances. We expect to impose this fee uniformly on new System franchisees that are awarded any franchise rights in connection with this Disclosure Document.

**Development Agreement**

If we award you the right to develop three (3) or more Franchised Businesses within a given Development Area, you must pay us a one-time Development Fee upon execution of your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area, and is calculated as follows: (i) $45,000 per Franchised Business if you agree to open and operate between three and five Franchised Businesses; (ii) $40,000 per Franchised Business if you agree to open and operate between six and nine Franchised Businesses; and (iii) $35,000 per Franchised Business if you agree to open and operate 10 or more Franchised Businesses.

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



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Agreement, you must execute our current form of Franchise Agreement for the first Studio we grant you the right to open within your Development Area concurrently with the Development Agreement.

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

## ITEM 6
## OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty | 7% of the Gross Sales[1] generated by your Franchised Business | Payable weekly based on the Gross Sales of your Franchised Business during the preceding business week | You will be required to start paying your Royalty once your Franchised Business begins collecting revenue from operations.<br><br>We reserve the right to collect your Royalty on a different interval (for example, monthly). |
| Fund[2] | 2% of Gross Sales generated by your franchised Studio | Payable weekly at the same time and in the same manner as the Royalty | We have established a brand development Fund that is designed to facilitate the promotion and development of our brand, System, Approved Services and Studios.<br><br>We require you to make a contribution to that Fund amounting to 2% of the Gross Sales of your Franchised Business (the "Fund Contribution"), and your obligation to contribute will commence once you have started operating your Franchised Business. |
| Local Advertising Requirement | You must expend a minimum of $1,500 per month (the "Local Advertising Requirement") in connection with the promotion of your Franchise Business within your Designated Territory and as we otherwise permit. | As agreed to with suppliers | All advertising materials must be approved by us prior to use/publication. We may require you to (a) provide us with monthly reports detailing your local advertising expenditures, and (b) expend all or some portion of your Local Advertising Requirement on designated activities or materials that are provided by our designated or approved supplier for these kind of services (which we refer to as an "Approved Supplier" in Item 8). |
| Studio Management Software Fee[3] | Then-current fee charged by our Approved Supplier, which is currently $269 per month | Once every 4 weeks or as otherwise agreed | Please see note 3 below as well as Item 11 of this Disclosure Document for additional information on Approved Suppliers and this fee. |
| Site Selection Expenses | Our costs incurred in performing any Franchisee-requested on-site evaluation including | Within 30 days of demand. | These costs are only payable to us in connection with your request to have us perform an on-site evaluation. |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | travel, lodging, meals and wages. | | |
| Technology Fee | The then-current fee we designate as the technology fee that is used to cover and defray certain of the costs and expenses associated with any technology services or components we determine to associate with the System (the "Technology Fee").<br><br>Currently, $330/month | Payable monthly in the same manner as the Royalty | We reserve the right to collect a Technology Fee in connection with any costs we incur in establishing and maintaining an intranet, extranet, online portal, website, online advertising and/or training tools, mobile application and/or any other technology for use in connection with the Franchised Business.<br><br>We may increase or otherwise modify the Technology Fee based on vendor pricing and/or the technology we determine to cover as part of the fee upon written notice to you.<br><br>As of the Issue Date, we expect that System franchisees the timely open under the Franchise Agreement will be required to commence paying the Technology Fee in the calendar month preceding its contemplated and/or required opening date.<br><br>This Technology Fee is in addition to any payments you must make directly to the third-party providers of any Required Software. |
| Teacher Training Tuition (if and as applicable) | Then-current tuition fee.<br><br>Currently, $3,000 per trainee | Prior to training. | This fee is only payable to us in connection with each individual that is not a RYT and therefore needs to complete our Teacher Training Program (along with Bridge Training) in order to become an Authorized Instructor.<br><br>If an individual wishes to attend the Teacher Training Program at your Studio, then they will be charged a fee of $3,000 by our Approved Supplier for payment processing, with (a) $1,250 going to us for certain materials that we provide in connection with this training, and (b) the balance of $1,750 going to your Franchised Business (or the appropriate Studio that will be providing the in-person instruction).<br><br>In order to provide the Teacher Training Program at your Studio, such training will need to be provided by an Authorized Instructor that has completed the additional |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | | | training that we determine appropriate to become a "Master Trainer." Please note that our then-current criteria and conditions for an Authorized Instructor to also become a Master Instructor will be set forth in our Manual(s) or otherwise in writing.<br><br>If you are not able to provide the Teacher Training Program, then we will advise you of the Studio closest to your Franchised Business that can provide such instruction to interested clientele. |
| Renewal Fee | $10,000 | At time of renewal. | You must renovate and reimage the Studio at your expense at the time of Renewal to conform to our then-current standards and image. |
| Transfer Fee (Franchise Agreement and Development Agreement) | Franchise Agreement: $10,000<br><br>Development Agreement: $10,000 | Upon application for our approval/consent to any proposed transfer. | We will only charge an administrative fee amounting to (i) $500 if you are an individual and wish to assign your franchise or other agreement rights to an entity that is wholly owned by you, or (ii) $1,500 in the event of an assignment or transfer between immediate family members.<br><br>Regardless, there are additional terms and conditions you must satisfy in order for us to approve any proposed transfer or assignment. |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Training Fee | Then-current training fee (our "Training Fee").<br><br>Currently, $750 per day per trainer. | Prior to training. | This fee is paid in connection with training/instruction that we may provide on an ongoing basis in connection with the overall operation and development of your Studio.<br><br>We reserve the right to charge this fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchise owner and/or Designated Manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us ("Remedial Training"), (c) training you request we provide (other than the kind of day-to-day assistance described below), (d) training we provide on-site at your Franchised Business, and (e) any Bridge Training sessions we conduct apart from the initial instruction we provide prior to your initial instructors prior to opening.<br><br>We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email, subject to our availability.<br><br>In addition to our then-current training fee, you will always be responsible for the costs and expenses that are incurred in connection with you and your personnel (and/or our trainer) attending training. |
| Master Trainer Summit Fee | We reserve the right to charge our then-current attendance fee in connection with any annual summit we determine to conduct in connection with continued education for Master Trainers (the "Summit Fee").<br><br>Currently, we expect that the Summit Fee will be between $1,000 and $2,000. | As incurred. | We may schedule and hold an annual summit, as we deem advisable in our sole discretion, and require that any Master Trainers attend such conference in order to maintain their status as a Master Trainer. You or the Master Trainer will be responsible for the costs and expenses you incur in connection with any annual summit/conference (lodging, travel, meals, etc.) to send one of your Master Trainers to the summit, and we reserve the right to charge you our then-current attendance/registration fee. |
| Insurance Policies[4] | Amount of unpaid premium. | Must have the policies within 60 | Payable only if you fail to maintain required insurance coverage and we elect to obtain |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | | calendar days after signing the Franchise Agreement, but no later than the time that you acquire an interest in the real property from which you will operate the Studio. | coverage for you. |
| Audit Fees[5] | The costs we incur in connection with any audit at issue that reveals an underreporting or that was conducted in response to reporting default<br><br>Currently, we estimate the auditor-related fees to be between $500 to $2,500 | Within 15 calendar days after receipt of audit report. | Payable only if (a) audit or review shows an understatement of Gross Revenue for the audited period of two percent (2%) or more, or (b) the audit or review is being conducted in response to your failure to timely submit any reports required by your Franchise Agreement. |
| Mystery Shopper and Other Quality Control Programs | Then-current fee charged by our Approved Supplier for such programs<br><br>Currently, our Approved Supplier charges a fee amounting to $500/year | As arranged | Payable only if we establish a mystery shopper program or other quality control mechanism/program, in which case we reserve the right to require a franchisee to contribute up to $500/year to help defray the costs of such programs that are designed to preserve the goodwill and brand image. |
| Management Fee | The costs/expenses we incur in connection with taking over operations, including manager's salary, room and board, travel expenses, and all other related expenses. | When incurred. | You will incur this fee in the event of Franchisee's death or disability, we exercise our right to appoint a manager and commence operating the Studio. |
| Late Fees | The greater of the highest applicable legal rate for open account business credit, or 1.5% per month. | Upon demand. | Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of $50 for each late payment or late report. |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Penalty Fee | Then-current fee charged by us<br><br>Currently, $100 for each day of non-compliance. | Upon demand. | Payable only in the event you fail to comply with your material obligations under your Franchise Agreement by (a) permitting anyone other than an Approved Instructor at your Studio to provide any fitness instruction or other Approved Services, or (b) offering or selling any unauthorized products or services at your Studio, including provision of the Teacher Training Program without an approved Master Trainer (described more fully in Item 11 below). The Penalty Fee will be incurred during each day of non-compliance. |
| Cost of Enforcement or Defense | All costs including attorneys' fees | Upon settlement or conclusion of claim or action. | You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail. |
| Indemnification | All costs including attorneys' fees | Upon settlement or conclusion of claim or action. | You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Studio (subject to applicable state law). |
| Alternative Supplier Approval[6] | $500 per day for personnel engaged in evaluating a supplier. | At time of request. | Additionally, you must reimbursement us for any travel, accommodations, and meal expenses. |
| Regional Cooperative | As the Cooperative determines | As the Cooperative determines | We may establish regional cooperatives comprised of Studios that are within a given geographical area (each, a "Cooperative"). If a Cooperative is established where your Studio is located, you will be required to participate in that Cooperative and contribute to that Cooperative in the amounts the Cooperative determines. Company-owned or affiliate-owned Studios will have the same voting rights in such Cooperatives as franchisee-owned Studios |
| Liquidated Damages for Compromising Secure Access to Manual | $10,000 | As incurred. | If you in any way compromise the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, you will be required to pay us liquidated damages in the amount of $10,000, to compensate us for the breach and related damage to the System. |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Liquidated Damages in Event of Early Termination | The sum of the royalties paid to us for the twenty-four (24) months prior to the termination of the Franchise Agreement | Within 30 days of demand | In the event of a premature termination, if Franchisor does not exercise its right to take over the Franchised Business, Franchisee shall pay Franchisor liquidated damages. |
| Relocation Fee | $5,000 | At the time of relocation request | You will not be permitted to relocate your Studio without our prior written approval, which may be withheld in our discretion. You will be assessed a relocation fee of $5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement.<br><br>If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection. |

**Notes to Item 6 Chart:**

General. All fees are uniformly imposed by and are payable to us, unless otherwise noted. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements. With regards to any interest charged in connection with the fees set forth in the chart above, the highest interest rate allowed by law in California is 10% annually.

1. Gross Sales. Except as provided below, the term "Gross Sales" means the total revenues you derive, directly or indirectly from all business conducted upon, from or in connection with the Studio, less sales taxes or similar taxes imposed by governmental authorities. (See Section 5.3 of the Franchise Agreement for a more complete definition).

   Please note that we exclude revenue generated from the provision of the Teacher Training Program at your Studio from the definition of Gross Sales because you are required to pay us a flat fee of $1,250 for each individual that received the required training (as described more fully in the Chart above).

   You must participate in our then-current electronic funds transfer ("EFT") and reporting program(s) as we designate in the Manuals or otherwise in writing. All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by 5:00 p.m. on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee



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and Fund contributions. Under such circumstances, you will be required to adjust, or "gross up" your payment to us to account for these taxes.

2. Fund. We have established our brand development Fund to promote, market and otherwise develop the brand, Marks, System, Studios and/or Approved Services (the "Fund"). When we establish a Fund, we may require you to make a Fund Contribution as described more fully above. The Fund may be used for (among other things) product and technology development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Studios and the Yoga Six brand; agency and consulting services; research; and any expenses approved by us and associated with your Studio. We will have sole discretion over all matters relating to the Fund. You must pay for your own local advertising.

3. Insurance Policies. The minimum limits for coverage under many policies will vary depending on various factors, including where you are located and the size of your Studio. See Item 8 of this Disclosure Document for our minimum insurance requirements.

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

5. Alternative Supplier Approval. You may request the approval of an item, product, service or supplier. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal.



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## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

**A. Franchise Agreement**

| Type of Expenditure | Low Amount | High Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| Initial Franchise Fee[1,2] | $60,000 | $60,000 | Lump sum | Upon execution of the Franchise Agreement | Us |
| Travel & Living Expenses while Training[3] | $500 | $3,000 | Lump sum | Prior to training | Transportation Carriers, Hotel Facilities, Etc. |
| Real Estate/Lease[4] | $4,403 | $20,297 | As arranged | As incurred | Landlord |
| Leasehold Improvements[5] | $71,707 | $234,577 | As arranged | As incurred | Approved Suppliers, Architects and Contractors |
| Signage & Graphics[6] | $10,878 | $20,554 | As arranged | As incurred | Approved Suppliers |
| Insurance[7] | $1,631 | $5,004 | As Arranged | Before Opening | Insurance Carrier |
| Specialty and Other Exercise Equipment[8] | $7,721 | $7,721 | As required | Before Opening | Us |
| Opening Inventory-Retail[9] | $12,000 | $12,000 | Lump Sum | Before Opening | Us |
| Utility Deposits[10] | $0 | $1,000 | As arranged | As incurred | Utility Suppliers |
| Licenses and Permits[11] | $0 | $5,171 | As arranged | As arranged | Local, State or Federal Government |
| Furniture, Fixtures and Related Supplies[12] | $28,537 | $28,537 | As arranged | As incurred | Us |
| Audio / Visual and Computer Equipment[13] | $47,000 | $49,000 | As arranged | As arranged | Approved Suppliers |
| Shipping[14] | $1,300 | $10,000 | As arranged | Before Opening | Us |



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| | | | | | |
|---|---|---|---|---|---|
| Pre-Opening Marketing | $15,000 | $15,000 | As arranged | Before Opening | Approved Suppliers and Vendors |
| Tech Fee(s) –3 Months and 1 Month Prior to Opening | $1,320 | $1,320 | As agreed (EFT) | As agreed | Us |
| Bridge Training[15] | $3,000 | $3,500 | As agreed (EFT) | As agreed prior to receiving required training | Us |
| Additional Funds - First 3 Months[16] | $15,000 | $20,000 | As arranged | As incurred | Various parties, including Studio personnel, Approved Suppliers and other Third-Party Providers; Utilities |
| **Total[17]** | **$279,997** | **$496,681** | | | |

**Notes to Table A in Item 7:**

[1] General. The initial investment table shows the estimated initial investment required to establish and operate a Studio. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any. These figures are estimates of the range of your initial costs in the first three (3) months of operation only. Neither we nor our affiliates offer direct or indirect financing. These estimates and this Item 7 generally expect and assumes that you will timely open and commence operations of your Franchised Business within the time period prescribed in your Franchise Agreement.

[2] Initial Franchise Fee**.** The Initial Franchise Fee is non-refundable. The Initial Franchise Fee for a single Studio is $60,000. We do not provide financing for the Initial Franchise Fee.

[3] Travel and Living Expenses While Training. This estimate is designed to cover the costs and expenses you might incur in connection with you (or if you are an entity, one (1) of your operating principals you designate to be the Designated Operator for the Studio) attending and completing the required initial training described more fully in Item 11 of this Disclosed Document. We will not charge you or your Designated Operator for this portion of our initial training that must completed on behalf of the franchisee/owner under your Franchise Agreement. You will be responsible for the costs and expenses associated with attending this training (e.g., transportation, meals, lodging and other expenses). The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed. The estimate assumes that you will attend training at our headquarters. The estimated Teacher Training Tuition fees associated with your initial instructors is accounted for in the estimate of "Additional Funds" in the Chart above.

[4] Real Estate/Lease. If you do not own adequate Studio space, you must lease suitable premises. These figures assume that the leased premises will be approximately 2,000 square feet. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate



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taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Studio, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You will also likely be required to pay a security deposit. This estimate assumes your security deposit will amount to approximately one (1) month of rent.

Since rental, improvement and other real-estate-related costs can vary significantly by area, it's your responsibility to: (i) independently research all applicable laws and regulations, and real estate market conditions and costs where you plan to locate and operate your facility; and (ii) obtain appropriate advice from your own accountant, attorney and real estate professional, before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

[5] Leasehold Improvements. The cost of leasehold improvements will vary depending on: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); (iii) the need for soundproofing; and (iv) the cost of materials and labor which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Studio, including approved flooring, mirrors and paint. This estimate includes the cost of installing certain of the furniture, equipment or fixtures required to complete the build-out of your Studio. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These amounts may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease. The low end of this estimate assumes a tenant contribution from the landlord of the approved Premises that is consistent with our prior experience and the estimates we have received from certain of our Approved Suppliers, while the high end of the estimate does not assume such a credit. The low-end of the range reflects modest improvements to a smaller location, and the high end reflects significant physical improvements to a larger Studio. Our standard franchise offering assumes (a) that your landlord will provide certain tenant improvement credit or allowance (or comparable compensation) in connection with the buildout or otherwise under the lease for the approved premises of your franchised Studio, and (b) you will not enter into a lease without negotiating such a reasonable tenant improvement allowance (based on the overall general contractor quote associated with the buildout). With that said, we may permit you to enter into a lease that does not afford such credits or allowance or comparable compensation from the landlord under you lease, provided you sign an acknowledgement that such lease and buildout terms are outside our standard franchise offering and System standards and specifications for your premises.

[6] Signage. This is a range of expenses that will be incurred when purchasing the required initial signage and graphics for your Studio. You must purchase all signage and graphics directly from our Approved Supplier. The cost of your signage may be more or less than this estimate, and depends on the number, size, type and method of installation you choose. Each landlord has different restrictions it places on interior and exterior signage that may affect your costs.

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

[8] Specialty and Other Exercise Equipment. The initial required exercise equipment for a standard Studio includes various equipment/supplies for use in connection with the provision of the Approved Services such as resistance bands/straps, interval training equipment, and weights, as well as certain other equipment used in connection with the Studio. The amount of equipment and corresponding investment will likely vary based on the size and layout of your Studio. If you determine to finance this equipment, your initial costs during the first three



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(3) months of operation on this equipment may be lower, but your overall costs invested in this equipment will likely be higher due to debt services.

[9] Opening Inventory - Retail. The typical for-sale items held in opening inventory are the apparel and other branded merchandise that you will be permitted to resell at your Studio as part of your Approved Products, including items such as t-shirts, towels, exercise clothing, yoga mats and related accessories.

[10] Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company.

[11] Licenses and Permits. The range of costs covers the expense to acquire the required local business permits. Our estimated costs include building permits, fire inspection, sales tax permit, and retail sales permits. If an electrical permit is necessary, the costs may be more. You should investigate applicable requirements in your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else. The low-end estimate will apply to franchisees who already have the necessary licenses and permits in place prior to executing the franchise agreement.

[12] Furniture, Fixtures and Related Supplies. This is a range of expenses that will be incurred when decorating and furnishing the Studio, including certain components of the Initial FFE Package that you must purchase from us. Both the low-end and the high-end numbers represent a straight purchase of all furniture, fixtures and related supplies (rather than leasing or making installment payments on these items).

[13] Audio/Visual Equipment and Computer Equipment. You must acquire a personal computer and a Point of Sale system ("POS") for use in the operation of the Studio. Your computer system must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. We will make available to you a certain business management software program specific for the Studio to be loaded on to your system. You will pay the third-party vendor directly for all fees associated with the use of the software. (Please see Item 6 of this Disclosure Document for the fee amount and more details on the software.) You can expect initial cash outlays to be lower if the items can be leased rather than purchased. In addition to the POS and related computer equipment, you must acquire speakers, cabling and mounts, and other audio-visual related equipment and accessories necessary to provide the Approved Services.

You are required to have at least 1 surveillance camera installed in the Studio. The camera(s) must be web accessible. You will use the camera to monitor teacher performance, quality assurance and safety. We have an absolute right to also review and monitor the camera(s) for the same purposes as you, and to ensure compliance with the System. You are responsible for ensuring customer consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera. Please see Item 11 of this Disclosure Document for more information on the Computer System.

[14] Studio Management System. This estimate includes the cost of acquiring the Studio Management Software we designate from us and/or our designated supplier, as disclosed more fully in Items 5 and 11. You must purchase these components from us and must execute any related software licenses required by designated vendors.

[15] Shipping. We arrange for the shipping of all of your equipment and furniture/fixtures. These amounts may vary based upon the location of your Studio.

[16] Initial Marketing Spend. You are required to expend this "Initial Marketing Spend" in coordination with the pre-opening sales plan we approve or designate for your Studio as part of the opening support program that our approved supplier provides in connection with your Studio, as we determine appropriate in our discretion (the "Opening Support Program"). Typically, we expect your Opening Support Program to commence prior to the "soft opening" of your franchised Studio through your actual opening of the Studio. These funds must be



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expended on your Opening Support Program and any other pre-opening marketing and/or advertising activities we designate. We may require that you expend any portion of these funds on services or product supplied by one or more of our Approved Suppliers. We will have the right to modify its Opening Support Program as we determine appropriate in our sole discretion. You must provide us with supporting documentation evidencing these expenditures upon our request. This estimate is in addition to your required contributions to the Fund.

[17] Bridge Training. This is our then-current Training Fee for the Bridge Training that our standard franchise offering assumes and expects you will have one (1) of our Master Trainers provide to your initial staff of Authorized Instructors and you at the premises of your franchised Studio prior to its authorized opening. The range is based on whether the Master Trainer is required to incur certain travel and lodging costs when providing training at your Authorized Location (which you must cover).

[18] Additional Funds – First Three (3) Months. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three (3) months of operation of the Studio. These expenses include initial personnel wages; potential Teacher Training Tuition(s) if you decide to cover such fees on behalf of your initial instructors; ongoing purchases of equipment and supplies; marketing expenses/fees and local advertising; ongoing utilities (other than initial deposits); and repairs and maintenance. This estimate is based on: (i) the experience of opening and commencing operations of the Existing Studios; (ii) our experience in franchising since our inception and the experience of our System franchisees based on reports and other information they provide; (iii) the experience of our sister brands in developing other fitness concepts and information related to their respective studio investment costs; and (iv) current estimates we have received from our Approved Suppliers and other third party vendors. The availability and terms of financing to you will depend upon factors such as the availability of financing in general, your credit-worthiness, the collateral security that you may have, and policies of lending institutions concerning the type of business you operate. This estimate does not include any finance charge, interest, or debt service obligation.

[18] Total Estimated Initial Investment. The total listed above does not include compensation for your time or labor or any return on your investment. Your costs will vary depending on such factors as: the location and size of the Studio, how closely you follow the System; your management and marketing skills, experience and general business ability; and local and general economic and market conditions, including disposable income. You should review these figures carefully with a business advisor (such as an accountant) before making any commitments. In preparing each of the ranges and figures for this Chart 7(A), we relied in part on: (i) the experience of opening and commencing operations of the Existing Studios; (ii) our experience in franchising since our inception and the experience of our System franchisees based on reports and other information they provide; (iii) the experience of our sister brands in developing other fitness concepts and information related to their respective studio investment costs; and (iv) current estimates we have received from our Approved Suppliers and other third party vendors.



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**B. Development Agreement (3-Pack as an Example)**

| TYPE OF EXPENDITURE[1] | AMOUNT | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Development Fee[2] | $135,000 | Lump sum, in cash, certified check or bank wire | At signing of the Development Agreement. | Us |
| Initial Investment to Open Initial Franchised Business[3] | $223,300 to $392,801 | See Chart A of this Item 7. | | |
| **TOTAL ESTIMATED INITIAL INVESTMENT** | **$354,997 to $571,681** | This is the total estimated initial investment to enter into a Development Agreement for the right to develop three (3) total franchised Studios, as well as the costs to open and commence operating your initial Franchised Business (as described more fully in Chart A of this Item 7). See Note 3. | | |

**Notes to Table B in Item 7:**

[1] General. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any. These figures are estimates of the range of your initial costs in the first three months of operating the initial Franchised Business you are granted under your Development Agreement only.

[2] Development Fee**.** The Development Fee is non-refundable. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three Franchised Businesses (provided you comply with your development obligations under the Development Agreement). If you choose to open more than three Franchised Businesses, your Development Fee will be calculated as follows: (i) $45,000 per Franchised Business if you are awarded the right to develop between three and five Franchised Businesses; (ii) $40,000 per Franchised Business if you are awarded the right to develop between six and nine Franchises Businesses and (iii) $35,000 per Franchised Business if you are awarded the right to develop 10 or more Franchised Businesses.

[3] Initial Investment for Initial Franchised Business. This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for the initial Franchised Business you open under your Development Agreement, most likely once you have found a Premises for the business that we approve. The range includes all the items outlined in Chart 7(A) of this Item, except for the $60,000 Initial Franchise Fee (because you are not required to pay an Initial Franchise Fee for those Franchised Businesses you open under the Development Agreement). It does not include any of the costs you will incur in opening the additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement.



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

You must operate all aspects of your Franchised Business in strict conformity with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

**Approved Products and Services**

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

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

**Approved Suppliers**

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

Currently, we have Approved Suppliers for the following items that you must purchase in connection with the establishment and/or operation of your Franchised Business: (i) Opening Retail Inventory; (ii) the Initial FFE Package; (iii) the Teacher Training Program, if applicable, and Bridge Training that your instructors must complete to become Authorized Instructors (and related materials); (iv) the POS System, security system components and audio/visual equipment package describe more fully below in this Item; (v) certain other exercise equipment/supplies; (vi) interior graphics and exterior signage; (vii) insurance coverage; (viii) shipping services; (ix) training materials, including the online component of the Teacher Training Program; (x) site selection assistance services, along with a strongly-recommended panel of legal professionals that have worked with other System franchisees (and our affiliate franchisor's franchisees) to assist in negotiating a lease and otherwise securing a premises that you propose and we approve (subject to the process and terms set forth in this Disclosure Document); (xi) construction management, as well as architectural and/or design-related services associated with the buildout of your Studio; (xii) flooring, mirrors, water filtration system and certain other installation and/or buildout materials; and (xiii) then-current software we require you to use in connection with (a) your POS System, (b) payment processing, and/or (c) otherwise helping manage your Studio and/or schedule clientele, including without limitation, any software and technology we determine to provide to you as part our System in connection with your then-current Technology Fee.

Currently, we and/or our affiliates: (i) are the only Approved Supplier for the Opening Retail Inventory, the Initial FFE Package and the technology services/components that are provided in connection with our current Technology Fee; and (ii) may be a provider of the Teacher Training Program and/or the Bridge Training, along with other Studios (including your own) that have (or arrange to temporarily have) a Master Trainer on-site that is capable of providing the Teacher Training Program as part of that Studio's Approved Services.



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

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

Except as provided above in this Item: (i) neither we nor any of our affiliates are an Approved Supplier for any items you are required to purchase in connection with your Franchised Business; and (ii) none of our officers own an interest in any of our Approved Suppliers other than us.

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

**Required Purchases and Right to Derive Revenue**

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your required purchases, purchases from Approved Suppliers and purchases that must meet our specifications in total will be about 70% - 95% of your total purchases to establish the Studio and about 15% - 50% of your purchases to continue the operation of the Studio. Please be advised that these percentages do not include the lease payments that you make in connection with your premises.

We and our affiliates reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business.

In our past fiscal year ending December 31, 2019, we derived $2,741,942 on account of our System franchisees' required purchases, or 71% of the total revenue we generated over our past fiscal year amounting to $2,881,651.

**Non-Approved Product/Service and Alternate Supplier Approval**

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

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee (currently, $500/day per person engaged in the evaluation) when submitting your request, as well as cover our costs incurred in evaluating your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a



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confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products and/or services, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (although are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

**Purchasing Cooperatives and Right to Receive Compensation**

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

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

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

**Franchisee Compliance**

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

**Insurance**

As a franchise owner, you are required to obtain and maintain, at your sole expense, the required insurance coverages we as prescribed in your Franchise Agreement and/or our Manuals. We may amend, modify supplement or otherwise change the coverages or policies required below upon 30 days' written notice to you (or such shorter period of time that we determine appropriate if a health/safety or infringement-related issue) via the Manuals or otherwise. While the specifications and standards for such coverages may vary depending on the size of your Studio and/or other factors, such as what is customary for businesses of your type in your area, as of



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the Issue Date we typically require the following in connection with a franchised Studio opened in a traditional site:

1. **Commercial General Liability** insurance covering your day-to-day business operations and premises liability exposures with limits not less than the following:
    a. Each Occurrence: $1,000,000
    b. General Aggregate: $5,000,000 (per location)
    c. Products Completed Operations Aggregate: $5,000,000
    d. Personal and Advertising Injury: $1,000,000
    e. Participant Legal Liability: $1,000,000
    f. Professional Liability: $1,000,000
    g. Damage to Premises Rented to You: $1,000,000
    h. Employee Benefits Liability (each employee): $1,000,000
    i. Employee Benefits Liability (aggregate): $2,000,000
    j. Medical Expense (any one person): $5,000
    k. Sexual Abuse and Molestation: included (not excluded)

    Such insurance shall include coverage for contractual liability (for liability assumed under an "insured contract"), products-completed operations, personal and advertising injury, premises liability, third party property damage and bodily injury liability (including death).

2. **Automobile Liability** insurance covering liability arising out of your use, operation or maintenance of any auto (including owned, hired, and non-owned autos, trucks or other vehicles) in connection with your ownership and operation of the franchise, with limits not less than the minimum compulsory requirements in your state (note: it is highly recommended to maintain a least $1,000,000 each accident combined single limit for bodily injury and property damage). This requirement only applies to the extent that owned, leased or hired/rented vehicles are used in the operation of the franchise.

3. **Workers Compensation** insurance covering all of your employees with statutory coverage and limits as required by state law. Such insurance shall include coverage for Employer's Liability with limits not less than $500,000 each accident, $500,000 disease – each employee, and $500,000 disease – policy limit.

4. **Property** insurance written on a special causes of loss coverage form with limits not less than the current replacement cost of the Studio's business personal property (including furniture, fixtures and equipment) and leasehold improvements (tenant improvements). Such Property insurance shall include glass coverage with limits not less than $25,000, signage coverage with limits not less than $10,000, and business interruption/extra expense coverage with limits not less than twelve months of rent.

5. **Employment Practices Liability** insurance with limits of not less than $1,000,000 per claim in the aggregate, with a retention not larger than $25,000, providing defense and coverage for claims brought by any of your employees or other personnel alleging various employment-related torts. Said policy shall also include Third Party Employment Practices Liability coverage.

Your policies must be written by an insurance company licensed in the state in which you operate the Studio and the insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide. Us, as well as our Parent and subsidiaries/affiliates, shall be included as Additional Insureds on Studio's Commercial General Liability policy.



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**Audio Visual and Computer Equipment**

You must purchase a computer system, including computer hardware, software, point of sale system, inventory control systems, tablet(s) and high-speed network connections (collectively, the "Computer System"), as well as the audio visual equipment, including speakers, cabling, mounts and other related equipment (collectively, the "Audio Visual Equipment"), that we specify. The component parts of the Audio-Visual Equipment and Computer System must be purchased from us, except for third-party software which must be licensed directly from our then-current designated vendor. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. The Computer System is described in more detail in Item 11 of this Disclosure Document.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section in Franchise Agreement | Section in Development Agreement | Disclosure Document Item |
|---|---|---|---|
| a. Site Selection and acquisition/lease | Sections 1.2, 6.1, 6.2, 7.2 and 7.3 of Franchise Agreement | Section 8 | Items 11 and 12 |
| b. Pre-opening purchases/leases | Sections 6.1, 6.2, 7.2, 7.3 and 8.4 of Franchise Agreement | Section 8 | Items 5, 7 and 8 |
| c. Site development and other pre-opening requirements | Sections 6.1, 6.2, 7.1 and 7.3 of Franchise Agreement | Section 3 | Items 6, 7 and 11 |
| d. Initial and ongoing training | Sections 5.7 and 6.3 of Franchise Agreement | Not Applicable | Items 6, 7 and 11 |
| e. Opening | Sections 2.2 and 6.9 of Franchise Agreement | Section 3, Exhibit B | Item 11 |
| f. Fees | Sections 3.2.F., 5, 9.1 and 14.2 of Franchise Agreement | Section 9 | Items 5, 6, and 7 |
| g. Compliance with standards and policies / Operating Manual | Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8.7 and 9.3 of Franchise Agreement | Section 3 | Item 11 |
| h. Trademarks and proprietary information | Sections 1.1, 4, 12.1, 15.1 and 15.3 of Franchise Agreement | Section 13 | Items 13 and 14 |



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| Obligation | Section in Franchise Agreement | Section in Development Agreement | Disclosure Document Item |
|---|---|---|---|
| i. Restrictions on products/services offered | Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement | Not Applicable | Items 8 and 16 |
| j. Warranty and customer service requirements | Section 8.3 of Franchise Agreement | Not Applicable | Not Applicable |
| k. Territorial development and sales quotas | Sections 1.3 and 8.8 of Franchise Agreement | Section 1, 3, and Exhibit B | Item 12 |
| l. Ongoing product/service purchases | Sections 8.4 and 10.3 of Franchise Agreement | Not Applicable | Items 8 and 11 |
| m. Maintenance, appearance and remodeling requirements | Sections 3.2.D. and 7.4 of Franchise Agreement | Not Applicable | Items 6 and 17 |
| n. Insurance | Section 10.4 of Franchise Agreement | Not Applicable | Items 6, 7 and 8 |
| o. Advertising and Fund | Sections 5.6 and 9 of Franchise Agreement | Not Applicable | Items 6 and 11 |
| p. Indemnification | Section 11.2 of Franchise Agreement | Not Applicable | Item 6 |
| q. Owner's participation/ management/staffing | Sections 8.3 and 8.6 of Franchise Agreement | Section 7 | Item 15 |
| r. Records and reports | Sections 10.1 and 10.3 of Franchise Agreement | Not Applicable | Item 11 |
| s. Inspections and audits | Sections 8.2 and 10.2 of Franchise Agreement | Not Applicable | Items 11 |
| t. Transfer | Section 14 of Franchise Agreement | Section 16 | Items 6 and 17 |
| u. Renewal | Section 3.2 of Franchise Agreement | Not Applicable | Item 17 |
| v. Post-termination obligations | Sections 13.1 and 15.3 of Franchise Agreement | Sections 14, 15 | Item 17 |
| w. Non-competition covenants | Sections 12.2 and 13 of Franchise Agreement | Section 11 | Item 17 |
| x. Dispute resolution | Section 16 of Franchise Agreement | Sections 21, 22 | Item 17 |
| y. Guarantee | Exhibit 4 of Franchise Agreement | Not Applicable | Not Applicable |



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## ITEM 10
## FINANCING

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

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

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

A. **Pre-Opening Assistance**

**Franchise Agreement**

Before you open the Studio:

1. We will provide you (or, if you are an entity, your Designated Operator), as well as your Designated Manager (if appointed) with the respective initial training that such individuals are required to attend and complete prior to opening your Franchised Business. We will typically provide the initial training program(s) to you and your designated trainees within the 30 days preceding your Studio opening, but that timing will be subject to the availability and schedules of our training personnel. We will provide the initial training program(s) at our corporate headquarters or other training facility we designate, and this initial training (as well as other training provided by us in connection with your Studio) is described more fully below in this Item under the heading "Training." (Franchise Agreement, Section 6.3). Prior to opening your Studio we will also provide Bridge Training at our corporate training center, an Existing Studio or other training location we designate to those initial instructors that wish to become Authorized Instructors and provide the Approved Services at your Studio, provided you or the instructor pay all costs/expenses associated with attending Bridge Training. Other than the training obligations set forth in Item 11, you will be responsible for hiring and training all other Studio employees.

2. If the Authorized Location for your Studio has not been identified at the time the Franchise Agreement is signed, we will work with you to designate a geographical area within which you must secure an Authorized Location for your Studio ("Designated Market Area"). (Franchise Agreement, Section 1.3). We will also comply with our obligations with respect to site selection assistance and site approval as set forth more fully below in this Item under the heading "Site Selection Assistance and Time to Open."

3. Prior to you attending your required initial training, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may modify the Manual. (Franchise Agreement, Section 6.4). The Table of Contents of the Manual is attached to this Disclosure Document as **Exhibit E.** The Manual currently consists of approximately 94 pages.

4. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with specifications for the layout and design of the Studio. (Franchise Agreement, Sections 6.2, 7.1 and 7.3).

5. Within thirty (30) calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with a list of fitness equipment and gear, standard fixtures, furnishings, supplies, and signs to be used in the Studio, as well as certain other Required Items and a list of Approved Suppliers. (Franchise Agreement, Section 6.6).



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6. We will provide you with the Initial FFE Package (as described in more detail in Item 5 of this Disclosure Document), including the cost of shipping. You will be independently responsible for arranging installation and paying a third-party contractor the associated costs. Currently, the items comprising the Initial FFE Package are purchased directly from us, but we reserve the right to designate another approved supplier in our sole discretion. We do not typically provide written specifications for the items comprising the Initial FFE Package other than those descriptions that are included in the Manual but may do so in our discretion.

7. We will license you the use of our then-current Marks, subject to the terms and conditions of your Franchise Agreement with us. (Franchise Agreement, Section 4.2).

8. We will consult and advise you on the advertising, marketing and promotion associated with the grand opening of your Studio, as described more fully below in this Item 11. (Franchise Agreement, Sections 6.9 and 9.2).

9. If you enter a Development Agreement, we will designate your Development Area. (Development Agreement, Section 1 and Exhibit A).

B. **Site Selection Assistance and Time to Open**

*Site Selection Assistance*

You must assume all costs, liabilities, expenses and responsibility in connection with: (i) locating, obtaining and developing a Premises for your Franchised Business; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. If the Authorized Location for your Studio has not been identified at the time the Franchise Agreement is signed, we will assign you a Designated Market Area as previously disclosed in this Item. (Franchise Agreement, Sections 1.2 and 1.3).

We may provide you with: (i) our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we determine is appropriate; and (ii) the contact information of any local real estate broker and/or counsel that we have an existing relationship with and that is familiar with our confidential site selection/evaluation criteria, if we know any such brokers in or around the Designated Market Area you are assigned. (Franchise Agreement, Sections 1.2, 1.3 and 6.1). We do not generally own the premises that System franchisees use for their Studio.

Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. Ideally, the Authorized Location of your Studio will be a major, national-tenant, anchored commercial retail center that meets our then-current requirements for population density, demographics, available parking, traffic flow and entrance/exit from the site. Our standard franchise offering assumes a Studio size of approximately 2,000 square feet. You are solely responsible for obtaining all required construction/build-out licenses and ensuring the Premises comply with all local ordinances and building codes. (Franchise Agreement, Section 6.1).

If you locate a site, we will approve or disapprove of the site within 30 days after we receive any and all reasonably-requested information regarding your proposed site from you. (Franchise Agreement, Section 1.2). We use a software program to evaluate the demographics of a market area for site selection approval. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may terminate the Franchise Agreement.

We must also have the opportunity to review any lease or purchase agreement for a proposed location before you enter into such an agreement. We may condition our approval of your proposed site on a number of conditions, including: (i) the inclusion of the terms outlined in Section 7.2 of the Franchise Agreement and Exhibit 5 to the



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Franchise Agreement in the lease for the location; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Studio, including offering and selling the Approved Products and Services, throughout the term of your Franchise Agreement. (Franchise Agreement, Sections 2.2(C) and 7.2, and Exhibit 5).

You must secure an Authorized Location that we approve within six (6) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 1.2).

*Time to Open: Franchise Agreement*

We will authorize the opening of your Studio when (i) all of your pre-opening obligations have been fulfilled, (ii) all required pre-opening training has been completed, including the Teacher Training Program, if applicable, and Bridge Training that must be completed by at least five (5) Authorized Instructors to be able to provide the Approved Services from your Studio, (iii) all amounts due us have been paid, (iv) copies of all insurance policies (and payment of premiums) and all other required documents have been received by us, and (v) all permits have been approved. (Franchise Agreement, Sections 5.4, 5.7, 6.3 and 10.4).

The typical length of time between the signing of the Franchise Agreement and the time you open your Studio is approximately three (3) to six (6) months. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening.

You are required to open your Franchised Business within six (6) months of executing your Franchise Agreement, but we may agree in writing to provide you with an additional three (3) months to open your Studio if you (a) have already secured an approved premises for your Studio, and (b) are otherwise making diligent and continuous efforts to buildout and otherwise prepare your Franchised Business for opening throughout the period following the execution of your Franchise Agreement and preceding your required opening date. If you do not open your Studio within the time period set forth in the Franchise Agreement, we will have the option to terminate your Franchise Agreement. (Franchise Agreement, Sections 1.2 and 2.2).

*Time to Open: Development Agreement (if applicable)*

If you have entered into a Development Agreement to open and operate three (3) or more Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. (Development Agreement, Exhibit A). We will approve sites for additional Franchised Businesses developed under your Development Agreement using our then-current site selection criteria.

C. **Our Obligations During the Operation of the Franchised Business**

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

During the operation of the franchised business:

1. We will specify or approve certain equipment and suppliers to be used in the franchised business (Franchise Agreement, Sections 6.6 and 7.1).



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2. We will provide additional training to you and any of your personnel at your request, subject to the availability of suitable trainers, including (a) the Teacher Training Program as necessary and ongoing Bridge Training for new and replacement instructors of your Studio so they can provide that Approved Services as an Authorized Instructor, and/or (b) any Master Training you request and we determine appropriate to provide to one (1) of your Authorized Instructors that has demonstrated a high proficiency in providing the Approved Services. You are responsible for any and all fees and costs associated with such additional training, including the Master Trainer's hourly rate and expenses (Franchise Agreement, Section 6.3).

3. If you do not obtain and maintain appropriate insurance coverage, we may procure the coverage on your behalf. We will pass the cost onto you. (Franchise Agreement, Section 10.4.D.)

4. We may institute various programs for auditing customer satisfaction and/or other quality control measures (Franchise Agreement, Section 8.2).

5. We will maintain and administer the brand development fund (the "Fund") as described more fully under the "Advertising and Marketing" heading below (Franchise Agreement, Section 9.1).

D. **Advertising and Marketing**

*Advertising Generally; Local Advertising Requirement; Co-Ops*

You are responsible for local marketing activities to attract members to your Studio. We require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. You must first obtain our advanced written approval before employing any form of co-branding, or advertising with other brands, products or services. (Franchise Agreement, Section 9.2)

You must strictly follow the social media guidelines, code of conduct, and etiquette as set forth in the Manual regarding social media activities. Any use of Social Media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. You will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual. (Franchise Agreement, Section 9.3)

As part of your material obligations under your Franchise Agreement, you must expend at least $1,500 per month on marketing and advertising materials that we approve in connection with the promotion of your Studio within your Designated Territory (your "Local Advertising Requirement"). Upon our request, you must provide us with an accounting of your monthly expenditures associated with your Local Advertising Requirement, along with invoices and other relevant documentation to support those expenditures. Please be advised that the Local Advertising Requirement is only the minimum amount you must expend each month, and we encourage you to expend additional amounts on the local promotion of your Studio. We are not required to spend any amount on advertising within your Designated Territory.

As of the Issue Date, we have not yet established a local or regional advertising cooperative and we have not created any advertising council composed of franchisees. We may, in the future, decide to form and administer one or more associations and/or sub-associations of Studios to conduct various marketing-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local, regional and/or national) are formed covering your area, then you must join and actively participate. All Studios, whether franchised or Franchisor/Affiliate-owned, in the designated area may be required to contribute such amounts as are determined from time to time by such Co-Op, not to exceed the Local Advertising Requirement. Each participating Studio will have one vote in making decisions of the Co-op, but in order to vote the Studio must be in good standing, and all decisions will be subject to our approval. We have the right to establish reasonable procedures for calling and conducting meetings, notices to the participants, and other procedural matters, and will make any governing documents, if



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any exist, available to you upon request. We have the right to prepare annual or period financial statements and make any such statements, if any exist, available to you upon request. We have the right to require cooperatives to be changed, dissolved or merged. (Franchise Agreement, Section 9.4).

*Initial Marketing Spend; Opening Support Program*

In addition to the Local Advertising Requirement, you will be required to expend a minimum of $15,000 in connection with pre-opening sales activities and other initial launch promotional activities designed to increase visibility of your Franchised Business within your Designated Territory. You may be required to expend all or some portion of these funds on products/services received from an Approved Supplier we designated or approve, and all materials used in connection with your grand opening campaign must be approved by us if not previously designated for use. We expect that you will typically be required to expend these amounts in the 30 to 60 days prior to opening and in the 30-day period following opening. (Franchise Agreement, Section 9.2).

Once your real estate lease is signed, you must being undertaking the "pre-sale" phase of opening your Studio wherein you will develop a plan in coordinate with us and our Opening Support Program that is designed to generate Studio clientele or other sales prior to the opening of your Studio, as well as generating prospective leads for sales at your Studio. The Opening Support Program is provided by our third-party Approved Supplier and is currently overseen by our internal marketing and sales departments. Participation in the Opening Support Program is mandatory, and we may require you to expend certain amounts on services or content that is supplied by one (1) or more of our Approved Supplier(s).

*Brand Development Fund*

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

We require you to make a Fund Contribution each payment period amounting to two percent (2%) of the Gross Sales of your Franchised Business. The Fund Contribution is uniform among all franchisees. Franchisor will give Franchisee sixty (60) days' written notice with regards to any increase in your Fund Contribution. (Franchise Agreement, Sections 5.5 and 9.1).

The Fund will be administered by us once established as we deem appropriate. With that said, we may also establish a brand development fund committee (the "BDFC") to help advise on matters related to the Fund. In the event we establish the BDFC, the Fund will still be administered by us with the BDFC serving in an advisory capacity only. The Fund will be maintained and operated by us to meet the costs of conducting regional and national advertising and promotional efforts, other brand development activities, as well as related technology used to implement the foregoing (i.e., digital marketing platform, System web portal) that we determine beneficial to the System. The BDFC, if established, will serve in an advisory capacity only. We will direct all public relations, advertising and promotions with sole discretion over the message, creative concepts, materials and media used in the programs and the placement and allocation thereof. We have the power to form, change or dissolve the Fund and/or BDFC. We will pay for these activities from the Fund. The Fund contributions may be used for traditional and digital advertising activities, such as website development, social media, public relations, advertising campaigns (television, radio, print or other media), or other promotions which will raise awareness of the Yoga Six brand. (Franchise Agreement, Sections 6.8 and 9.1).

We are not obligated to ensure that Fund activities or dollars are spent equally, on a *pro rata* basis, either on your Studio, or all Studios in an area. A brief statement regarding the availability of System franchises may be included in advertising and other items produced using the Fund, but we will not otherwise use the Fund to pay for franchise sales or solicitations.



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Reasonable disbursements from the Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising and promotional campaigns; and the reasonable costs of administering the Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Fund. The Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Fund. We are not required to audit our Fund expenditures, but we reserve the right to do so and cover the costs associated with the audit from the Fund. Otherwise, we will prepare and make available to our franchisees, upon request, a basic, unaudited accounting of the Fund for a given fiscal year after 120 days have passed since that year end. Any company-owned or affiliate-owned Studios we may open will contribute to the Fund at the rate provided in our Franchise Disclosure Document. Should the advertising contribution for the System decrease at any time, we have the right to reduce our contribution from company-owned or affiliate-owned Studios to the rate specified for franchised locations. We are not required to spend all Fund contributions in the fiscal year they are received.

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

In our past fiscal year ending December 31, 2019, we expended Fund Contributions made to the Fund as follows: (i) Production: 20; (ii) % Administrative Expenses: 10%; (iii) Media and Public Relations: 20%; (iv) Internet-Related Expenses: 50%.

*Remodeling.*

We may require you to make such additions, alterations, repairs, and replacements at the Premises and to the fixtures, furnishings, signs and inventory therein to comply with Franchisor's then-current standards and specifications. (Franchise Agreement, Section 7.1.C).

## E. **Training**

*Initial Training and Programs*

Prior to opening your Franchised Business, you must ensure that: (i) you or your Designated Operator completes the Owner/Operator Module of the initial training program described below, which will typically last approximately three (3) business days at our corporate headquarters in Irvine, CA or another training facility we designate (most likely in California); (ii) your Designated Manager (if appointed) attends and completes the Designated Manager Module described below; and (iii) your prospective Authorized Instructors (typically, around 5 individuals) have each completed (a) either a Third-Party RYT Program or the Teacher Training Program we have developed, and (b) Bridge Training and therefore become Authorized Instructors able to provide the Approved Services at your Studio in accordance with System Standards (and that all corresponding Teacher Training Tuition and Bridge Training costs/expenses are paid prior to such training being provided). While there is no specific deadline by which you must complete the applicable module(s) of our initial training, the foregoing training must be satisfied to our satisfaction prior to opening your Studio. (Franchise Agreement, Section 6.3).

In the event you are the owner of multiple Studios or otherwise wish to appoint a third-party individual to manage the day-to-day operations of your Franchised Business, then that Designated Manager must complete the Designated Manager Module described below and be approved by us before assuming any management responsibility at your Franchised Business. (Franchise Agreement, Sections 5.7 and 6.3). We do not charge a tuition or training fee for you or your designated trainees (the Designated Operator and, if appropriate, Designated Manager) to attend their assigned training program module(s) below, provided these individuals attend prior to the opening of your Studio. You will be responsible for the costs and expenses associated with these individuals attending this initial training. (Franchise Agreement, Section 5.7).



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Our primary initial training programs as of the Issue Date of this Disclosure Document are described below, certain portions of which may be provided via online, remote instruction via webinar or similar learning management system:

**TRAINING PROGRAM(S)**

**I. Owner/Operator Module (to be completed by Franchisee or Operating Principal)**

| Owner/Operator Module | | | |
|---|---|---|---|
| **Subject** | **Hours of Classroom Training** | **Hours of On-The-Job Training** | **Location** |
| History and Philosophy | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Real Estate | 2 | 0 | Yoga Six Corporate Office Irvine, CA |
| Construction | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Expectations and Obligations | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Studio and Equipment Set-Up and Support | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Yoga Class | 0 | 1 | Yoga Six Corporate Office Irvine, CA |
| Retail | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Intro to Studio Management Software | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Sales and Operations | 3.5 | 0 | Yoga Six Corporate Office – Irvine, CA |
| Finance | 3 | 0 | Yoga Six Corporate Office Irvine, CA |
| Yoga Class | 0 | 1 | Yoga Six Corporate Office Irvine, CA |
| Staffing and HR Support | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Education | 2 | 0 | Yoga Six Corporate Office Irvine, CA |
| Marketing | 3 | 0 | Yoga Six Corporate Office Irvine, CA |
| Training Re-Cap and Summation | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Test | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| **Total** | **24** | **2** | |



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## II. Designated Manager Training Module (if applicable)

| Designated Manager Training Module | | | |
|---|---|---|---|
| **Subject** | **Hours of Classroom Training** | **Hours of On-The-Job Training** | **Location** |
| Ingredients of a Successful GM | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Club Ready Software | 3 | 0 | Yoga Six Corporate Office Irvine, CA |
| Lead Generation | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Pre-Sale, Soft Open, and Grand Open | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Retail Sales | 1.25 | 0 | Yoga Six Corporate Office Irvine, CA |
| Education | 3 | 0 | Yoga Six Corporate Office Irvine, CA |
| Sales Process: Intro Classes and Memberships | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Marketing | 3 | 0 | Yoga Six Corporate Office Irvine, CA |
| Private Training Sales | 0 | 0 | Yoga Six Corporate Office Irvine, CA |
| Sales: Roll-Play & Agreement Write-Up | 4.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Yoga Six Signature Class | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| The Six LMS Training | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Hiring & Recruiting | 1.5 | 0 | Yoga Six Corporate Office Irvine, CA |
| Operations | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| Wrap Up | 1 | 0 | Yoga Six Corporate Office Irvine, CA |
| **Total Hours For Designated Manager Module** | **25.25** | **0** | |



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## III. Bridge Training

| Bridge Training | | | |
|---|---|---|---|
| **Video Topics: Module One (Watch Prior to Day 1)** | | | |
| **Subject** | **Hours of Classroom Training** | **Hours of On-The-Job Training** | **Location** |
| Company Overview and Logistics – 2 Hours | | | |
| Y6 Program Introduction & Overview | 30 mins | 0 | Online Training Portal |
| Y6 Class Design | 15 mins | 0 | Online Training Portal |
| Y6 Top Six Methodology | 30 mins | 0 | Online Training Portal |
| Y6 Connection Expectations | 15 mins | 0 | Online Training Portal |
| Comprehension Quiz | 15 mins | 0 | Online Training Portal |
| Education & Programing – 11 Hours | | | |
| Dynamic Languaging | 20 mins | 0 | Online Training Portal |
| Creating Amazing Playlists | 20 mins | 0 | Online Training Portal |
| Y6 Sequencing | 30 mins | 0 | Online Training Portal |
| Skillful Hands On Assists | 20 mins | 0 | Online Training Portal |
| Additional Teaching Considerations | 15 mins | 0 | Online Training Portal |
| Y6 Hot | 90 mins | 0 | Online Training Portal |
| Y6 Sculpt & Flow | 90 mins | 0 | Online Training Portal |
| Y6 Slow Flow | 90 mins | 0 | Online Training Portal |
| Y6 Stretch | 90 mins | 0 | Online Training Portal |
| Y6 101 | 90 mins | 0 | Online Training Portal |



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| | | | |
|---|---|---|---|
| Y6 Power Flow | 90 mins | 0 | Online Training Portal |
| Comprehension Quizzes | 15 mins | 0 | Online Training Portal |
| **TOTAL** | **13 hours** | **0** | |

| **Bridge Training (Continued)**<br>**Day 1: In-Studio Practical Learning** | | | |
|---|---|---|---|
| **Subject** | **Hours of Classroom Training** | **Hours of On the Job Training** | **Location** |
| Introductions | 0 | 15 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Y6 History & Methodology Lineage | 0 | 15 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Top Six Methodology for Large Groups & Mixed Levels | 0 | 30 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Y6 Class Formats Recap | 0 | 30 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Evaluating a Good Class | 0 | 15 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Set & Semi-Set Sequence (Balancing Consistency with Creativity) | 0 | 30 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Hot Yoga Class Experience | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| | | | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio |



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| | | | |
|---|---|---|---|
| Yoga Six Equipment Overview | 0 | 15 mins | nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Review Hot Yoga Transitions | 0 | 30 Mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Y6 Sculpt Recap & Class Experience | 0 | 2 hours | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Hands On Adjustment Clinic | 0 | 2 hours | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| **Total Hours for Bridge Training Practical Learning Day 1** | **0** | **8 hours** | |
| **Bridge Training (Continued)<br>Day 2: In-Studio PRACTICAL LEARNING** | | | |
| Y6 101 Format | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Open Vinyasa Format Sequencing (Progressions + Transitions + Creative Sequencing) | 0 | 2 hours | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Slow Flow or Power Class Experience | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Dynamic Languaging | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Y6 Stretch Sequencing | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Hands On Assisting | 0 | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| | | | Option 1: Yoga Six Corporate |



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| | | | |
|---|---|---|---|
| Teaching Demos | 0 | 1 hour | Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| **Total Hours for Bridge Training Practical Learning Day 2** | **Not Applicable** | **8 Hours** | |
| **Bridge Training (Continued)<br>Day 3: In-Studio "Teach-Backs"** | | | |
| Hot Yoga Test Outs | | 1 hour, 15 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Y6 Sculpt Test Outs | | 1 hour, 15 mins | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Deep Stretch Test Outs | | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Boot Camp Test Outs | | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Flow Test Outs (Power, Vinyasa 1, Vinyasa 2) | | 4 hours (20-30 min sessions) | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Interactive Feedback for each Instructor | | 10 min | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| Teacher Happy Hour | | 1 hour | Option 1: Yoga Six Corporate Office in Irvine, CA or Studio nearby<br>Option 2: Hosted at your Studio or Space nearby |
| **Total Hours for Bridge Training Practical Learning Day 3** | **Not Applicable** | **9 hours, 40 min** | |
| **TOTAL (All Parts of Bridge Training)** | | **36 hours, 35 min** | |

Kelly Clifton Turner, whose biography is listed in Item 2, will oversee the initial training programs. She has worked with our brand for over five (5) years and has over seven (7) years of experience in the majority of the topics of instruction above. We normally conduct our initial training monthly, as needed, but we reserve the right to change this schedule based on (a) demand, and (b) the availability of our instructors. Our primary instruction is through hands-on training, videos, the Manual and other instructional materials we prepare



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specifically for one (1) or more of the initial training programs above in this Item. We may substitute other instructors to provide certain parts of the different initial training modules described in this Item 11, but these individuals will have all completed the appropriate portion of the initial training program on which they provide instruction.

*On-Site Pre-Opening Assistance (Discretionary)*

Around the time you first open your Studio, we may send one (1) or more representatives to your Studio to (a) provide assistance and recommendations regarding your opening and initial operations, and/or (b) provide additional or refresher training associated with the Owner/Operator Module, Teacher Training Program and/or Bridge Training, as we deem appropriate in our discretion. If we determine to provide such on-site assistance, it will typically last between one (1) to two (2) business days, and we reserve the right to charge our then-current Training Fee in connection with any such discretionary assistance.

*Teacher Training Program – Fees and Involvement of Franchisor*

We may permit you to provide the Teacher Training Program at your Franchised Business as part of your Approved Services, provided you employ or otherwise engage an Authorized Instructor that has met our then-current criteria to serve as a Master Trainer of the Teacher Training Program. We may modify the Teacher Training Program in any manner we deem appropriate via the Manuals or otherwise in writing. (Franchise Agreement, Section 6.3).

As of the Issue Date of this Disclosure Document, the Teacher Training Tuition is $3,000 per trainee, with $1,250 payable to us for the intellectual property and training materials associated with the Teacher Training Program, and the remaining $1,750 retained by the franchisee or affiliate owner of the Studio at which the Teacher Training Program is provided. You may provide the Teacher Training Program at your Studio – either in connection with training new instructors for your Studio/another franchised Studio, or as a service offered to customers of your Studio – without employing a Master Trainer by contracting or otherwise arranging to have a Master Trainer provide the Teacher Training Program from your Studio (on whatever terms you and the Master Trainer or Studio at issue negotiates). Your ability to offer the Teacher Training Program in this manner is subject to the availability of Master Trainers willing and able to travel to your Studio and provide the Teacher Training Program. Regardless of how it is provided, the appropriate portion of the Teacher Training Tuition payable to us will be collected and remitted to us.

*Additional and/or Remedial Training*

We may also provide and require that you (and your Designated Operator and Designated Manager, as appropriate) attend, up to five (5) days of additional training each year at our designated training facility. We will not charge any training fee in connection with such training that we require you to attend. (Franchise Agreement, Section 6.3). We may also require you to attend certain training as part of the actions you must take to cure certain defaults under your Franchise Agreement ("Remedial Training"), and we reserve the right to charge you our then current Training Fee in connection with such Remedial Training (Franchise Agreement, Section 6.3).

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

You will be responsible for the costs and expenses associated with you and your designated personnel attending any such additional training described in this Item. (Franchise Agreement, Sections 5.7 and 6.3).



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F. **Computer System - Hardware and Software**

You must acquire a front desk computer, a tablet computer that is capable of running all software we designate or otherwise require you to use in connection with your franchised Studio (collectively, the "Required Software"), including our designated business management software. You must record all of your receipts, expenses, invoices, member lists, class and employee schedules, and other business information promptly utilizing all appropriate Required Software.

Current, our designated business management software is an online/web-based program that is designed to facilitate class scheduling, process member credit and debit card payments, and keep your business records and generating business reports (among other things) – and is, as of the Issue Date, licensed from our third-party Approved Supplier At this time, we have approved no other compatible program but we reserve the right to do so at our sole discretion. If the approved supplier for the required software changes, you must migrate your operations to the new required software at our direction. The details of these standards and requirements will be described in the Manual or otherwise in writing and may be modified in response to changes in marketing conditions, business operating needs, or technology. (Franchise Agreement, Sections 5.4, 5.6 and 10.3).

You must allow our approved supplier to upgrade the proprietary database configuration of the required software for the computer in your Studio as we determine necessary. Our approved supplier may provide you periodic updates to maintain the software and may charge a fee for preparing the updates and maintaining the software. There are no limitations on the frequency and cost of the updates. The system is designed to enable us to have immediate, independent access to the information monitored by the system, and there is no contractual limitation on our independent access or use of the information we obtain. (Franchise Agreement, Sections 5.4 and 10.3).

You must purchase or lease, and thereafter maintain, such computer hardware and software, dedicated high speed communications equipment and services, dedicated telephone and power lines, modem(s), speakers, and other computer-related accessories or peripheral equipment as we may specify, for the purpose of, among other functions, recording Studio sales, scheduling classes, and other functions that we require. You must provide such assistance as may be required to connect your computer system with a computer system used by us. We will have the right, on an occasional or regular basis, to retrieve such data and information from your computer system as we, in our sole and exclusive discretion, consistent with consumer privacy laws, deem necessary. You must operate your computer system in compliance with certain security standards specified by us, which may be modified at our discretion from time to time. In view of the interconnection of computer systems and the necessity that such systems be compatible with each other, you expressly agree that you will strictly comply with our standards and specifications for all item(s) associated with your computer system, and will otherwise operate your computer system in accordance with our standards and specifications. (Franchise Agreement, Sections 5.4 and 10.3).

To ensure full operational efficiency and optimal communication capability between and among computer systems installed by you, us, and other System franchisees, you agree, at your expense, to keep your computer system in good maintenance and repair, and following our determination that it will be economical or otherwise beneficial to the System to promptly install such additions, changes, modifications, substitutions and/or replacement to your computer hardware, software, communications equipment and services, telephone and power lines, and other computer-related facilities, as we direct.

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. The approximate cost of the Computer System including a computer or tablet computer, hardware and software is approximately $1,200 to $2,000. As of the Issue Date, there is no initial fee to obtain the software. The approximate cost of any annual maintenance upgrades or updates or maintenance support contracts varies widely from $0 to $800, which does not include the monthly license fees associated with your required (a)



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Technology Fee (currently, $330/month), (b) the monthly license fee associated with our Studio management (POS) software (currently, $145/month), or (c) the costs associated with any merchant processing associated with the Members and/or other clientele of your Franchised Business.

The cost of the Computer System is included in the subsection "Audio Visual and Computer Equipment" set forth in Item 7. We reserve the right to implement our own technology and/or related technological support and maintenance services, and charge our then-current Technology Fee to our System franchisees to help defray the costs or otherwise compensate us for the provision of such services. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates, and any such obligations would be on the Approved Supplier providing the software license at issue (as you determine to negotiate with that Approved Supplier directly for such services).

## ITEM 12
## TERRITORY

**Franchise Agreement: Authorized Location and Designated Territory**

*Authorized Location*

You will operate the Studio at a specific location approved by us (referred to as your "Authorized Location"). Once you have secured your Authorized Location, we will provide you a Designated Territory within which you will have certain protected rights.

*Designated Territory*

Your Designated Territory may contain up to 50,000 people and will typically be comprised of the geographic area encompassed within a given radius around your Studio location. If your Designated Territory is such a radius, then that radius may be anywhere from two (2) blocks to two (2) miles around your Studio location depending on (a) the population density and other demographics of the area, (b) any existing territorial rights granted in connection with existing Studios, and (c) whether your location is considered part of a major metropolitan area, other downtown area or similar situated central business district that has a large "working population" during relevant operating hours for surrounding businesses (referred to as a "Central Business District").

Importantly the size of your Designated Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Studio. Your Designated Territory may not be comprised of a typical radius around your Studio location if such a radius would encompass the location of another previously developed Studio. Your Designated Territory can overlap with other territories granted in connection with other System Studios but, as disclosed, we will not physically locate another Studio within your Designated Territory.

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

You will not be permitted to relocate your Studio without our prior written approval, which may be withheld in our discretion. You will be assessed a relocation fee of $5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we



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retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

If you have been granted a Designated Territory, neither we nor our affiliates will open or locate, or authorize any third party the right to open or locate, another Studio utilizing the Proprietary Marks and System from a physical location within your Designated Territory. For this reason, your Designated Territory is deemed "exclusive" under applicable franchise disclosure laws. Please note our reserved rights described later in this Item.

Your Designated Territory will not be modified by Franchisor for any reason so long as you are not in default of your Franchise Agreement, except in cases where (a) your requested relocation of your Studio is approved and you relocate, and/or (b) at the time of any requested renewal or proposed assignment of the franchise, the population of the Designated Territory is over 50,000. In such cases, we may move or modify the size of your Designated Territory.

Your Designated Territory will not be modified by Franchisor for any reason so long as you are not in default of your Franchise Agreement, except in cases where (a) your requested relocation of your Studio is approved and you relocate, and/or (b) the population of your Designated Territory rises above 50,001 individuals. In such cases, we may move or modify the size of your Designated Territory.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Studios, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Studios or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the premises and whether or not they provide services similar to those that you offer. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we may be involved, now or in the future.

*Rights Within and Outside the Designated Territory*

While you and other Studios will be able to provide the Approved Services to any potential client that visits or otherwise reaches out to your Studio, you will not be permitted to actively solicit or recruit clients outside your Designated Territory, unless we provide our prior written consent. You will not be permitted to advertise and promote your Franchised Business via advertising that is directed at those outside your Designated Territory without our prior written consent, which we will not unreasonably withhold provided (a) the area you wish to advertise in is contiguous to your Designated Territory, and (b) that area has not been granted to any third party in connection with a Studio (or Development Agreement) of any kind. Your Designated Territory can overlap with other territories awarded to third-party franchisees, but we will not physically locate another Studio within your Designated Territory.

We may choose, in our sole discretion, to evaluate your Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service. (Franchise Agreement, Section 8.8A)

Unless waived by Franchisor due to unique market conditions, Franchisee must meet a certain Minimum Monthly Gross Revenue Quota. If Franchisee fails to achieve and maintain average monthly gross revenues of $30,000 by the 1st year anniversary of the opening of the Studio and average monthly gross revenues of $40,000 by the end of the 2nd year anniversary and each succeeding year thereafter, Franchisor may institute a corrective training program and/or require Franchisee to perform additional local marketing. If Franchisee fails to meet the Minimum Monthly Gross Revenue Quota for 36 consecutive months at any time during the term of the



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Franchise Agreement, Franchisor may institute a mandatory corrective training program or terminate the Franchise Agreement upon notice to you.

**Development Agreement**

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

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

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

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

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

**Reserved Rights**

We and our parent/affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Studios and Franchised Businesses using the Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and, if applicable, the Development Area; (iii) use the Marks and System, as well as other such marks we designate, to distribute any Approved Products and/or Services in any alternative channel of distribution, within or outside the Territory(ies) and Development Area (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.), as further described below; (iv) to (a) acquire, merge with, be acquired by, or otherwise affiliate with, any other company, and (b) have us or any successor/acquiring entity own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Services and Approved Products



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(but under different marks), within or outside your Designated Territory(ies) and, if applicable, Development Area; and (v) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if applicable, your Development Agreement.

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

**Internet Sales / Alternative Channels of Commerce**

We may sell products and services to members located anywhere, even if such products and services are similar to what we sell to you and what you offer at your Studio. We may use the internet or alternative channels of commerce to sell Yoga Six brand products and services. You may only sell the products and services from your approved Studio location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us, in order to register members for classes. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. We retain the right to approve or disapprove of such advertising, in our sole discretion. Any use of social media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any social media websites/pages and be the sole provider of information regarding the Studio on such websites/pages (e.g., a collective brand or franchise network Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining members over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

**Additional Disclosures**

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

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

Certain of our affiliates are involved with franchising and other activities as disclosed and detailed in Item 1 of this Disclosure Document, and such affiliates expect and intend (and reserve the right) to continue conducting franchising and other activities related to their respective franchise systems.



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## ITEM 13
## TRADEMARKS

We grant you a limited license to use our then-current Marks in connection with the promotion and operation of your Franchised Business. As of the Issue Date, the following Marks are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

| Mark | Registration No. | Registration Date |
|---|---|---|
| | 4,320,101 | April 16, 2013 |
| | 4,320,102 | April 16, 2013 |
| YOGA SIX | 4,901,700 | February 16, 2016 |
| STRENGTHEN YOUR SELF | 5,110,674 | December 27, 2016 |
| | 5,205,451 | May 16, 2017 |

We expect and intend to submit all affidavits and other filings necessary to maintain the registrations above.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks. There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Administrator of any State, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any State.

We initiated an action for infringement – as well as various other breach of contract and related claims – against a former System franchisee that determined not to develop the franchise we awarded to him under his franchise agreement with us and instead opened a competing business that provided yoga classes under the mark CORE SIX. Among other things, our action – which was file in the federal district court in California under the caption



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*Yoga Six Franchise v. Core 6 Energy Yoga, LLC* – claims that this party's use of the CORE SIX mark in connection with yoga-related services constitutes infringement on our federally-registered marks above, and this action remains pending as of the Issue Date. Importantly, the former franchisee (and defendant in this action) has not raised nay counterclaims to challenge or contest our rights in the Marks or assert any other wrongdoing within the time period that such counterclaims could be made by this former franchisee. There are no other pending infringement or interference actions, or opposition or cancellation proceedings, that significantly limit our rights to use or license the use of the Marks in any manner material to the System. If and to the extent required, we have filed all required affidavits for the Marks and will continue to do so.

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

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

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

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

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



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

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual. The Manuals are described in Item 11. Item 11 also describes the limitations on the use of the Manual by you and your employees.

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise. However, we claim copyrights on certain forms, advertisements, promotional materials, software source code and other Confidential Information as defined below.

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

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

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

We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Studio that you or your employees conceive or develop.

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



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

Under the Franchise Agreement, we do not require, but do recommend, that you (or the Designated Operator) personally supervise the Studio. You may appoint a Designated Manager we approve to manage daily operations of your Studio. We will not unreasonably withhold our approval of any Designated Manager you propose, provided the individual has successfully completed the Owner/Operator Module of our initial training and, if that individual will be providing any Approved Services, the Teacher Training Program (if necessary) and the Bridge Training.

Once approved, your Designated Manager may assist in the direct, day-to-day supervision of the operations of the Studio, or to be the on-premises supervisor if you choose not to personally supervise the Studio. If you are a business entity, your Designated Manager need not hold an ownership interest in the business to be the on-premises supervisor.

You will keep us advised, in writing, of any Designated Manager involved in the operation of the Studio and their contact information. Your Franchised Business must, at all times, be managed by and staffed with at least one (1) individual who has successfully completed the Owner/Operator Module or, if appropriate, the Designated Manager Module, of our initial training program.

You and your managers and employees must comply with the confidentiality provisions described in Item 14. If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, form of Personal Guaranty attached to the Franchise Agreement as an Exhibit (the "Guaranty"). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the "Owners"), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel at your Franchised Business. Please note that nothing in this Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

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

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

You must also ensure that only (a) Authorized Instructors to offer the Approved Services, and (b) only those Authorized Instructors who have acquired the additional training and credentials to be deemed a "Master Trainer" offer and provide the Teacher Training Program. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes. You must also ensure that you comply and respect all System policies and procedures regarding Member reciprocity amongst (a) our other Studio locations, and (b) if and when made available to such



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Members, any reciprocity and/or universal pass to attend classes at the fitness studios operated under our affiliate franchisors' respective brands.

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

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

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

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

### THE FRANCHISE RELATIONSHIP

### A. Franchise Agreement

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

| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Franchise Agreement: Paragraph 3.1 | The term is 10 years from the date the Franchise Agreement is signed. |
| b. Renewal or extension of term | Franchise Agreement: Paragraph 3.2 | You have the option to extend the term for 2, consecutive 5-year periods. |
| c. Requirements for renewal or extension | Franchise Agreement: Paragraphs 3.2, 3.3, and 3.4 | You have complied with all of the Franchise Agreement provisions; you are not in default of the Franchise Agreement; you have brought the Studio into compliance with our current standards; you have given us notice of renewal no less than 90 days nor more than 180 days prior to the end of the initial term; you have signed a then-current form of Franchise Agreement, which may contain materially different terms than the ones contained in your Franchise Agreement; you have signed a general release, subject to state law, in substantially the form of Exhibit F to this Disclosure Document; and you pay us a renewal fee equal to $10,000. |



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| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| d. Termination by franchisee | Franchise Agreement: Not Applicable | Franchisee may terminate under any grounds permitted by law. |
| e. Termination by franchisor without cause | Franchise Agreement: Not Applicable | The Franchise Agreement does not provide for termination without cause. |
| f. Termination by franchisor with cause | Franchise Agreement: Paragraph 15.1 | We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement, as further outlined below. |
| g. "**Cause**" defined – curable defaults | Franchise Agreement: Paragraph 15.1B | The following constitute curable defaults: you fail to comply with the Performance Standards; or refuse to make payments due and do not cure within 10 business days; or fail to comply with any provision of the Franchise Agreement not otherwise mentioned in (h.) below or any mandatory specification and do not cure within the applicable cure period. Some defaults have 10 calendar day cure periods, and some have 30 calendar day cure periods. |
| h. "**Cause**" defined – non-curable defaults | Franchise Agreement: Paragraph 15.1A | The following events constitute non-curable defaults: failure to properly establish and equip the premises; failure to complete training; make a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony, or other crime or offense that can adversely affect the reputation of you, us or the Studio; make unauthorized disclosure of confidential information; abandonment of the business for 5 consecutive days unless otherwise approved; surrender of control of the business; unauthorized transfer; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; your misuse of the Marks; failure on 3 occasions within any 12 consecutive month period, or 4 occasions in any 24 consecutive month period to pay amounts due, or otherwise to comply with the Franchise Agreement; violate any health, safety or sanitation law or conduct your operation in a manner creating a safety hazard; or violating the rights and restrictions of your territory; operating a competing business. |
| i. Franchisee's obligation on termination/non-renewal | Franchise Agreement: Paragraphs 12, 13 and | Your obligations include: stop operations of the Studio; stop using the Marks and items bearing |



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| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| | 15.3 | the Marks; stop using the Marks in any form as part of your corporate name; assign any assumed names to Company; de-identify the premises from any confusingly similar decoration, design or other imitation of a Studio; stop advertising as a former or current Yoga Six franchise; pay all sums owed; pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement; return the Manual and other confidential information to us; return all signs to us; assign your telephone and facsimile numbers, electronic mail and internet addresses to us; sell to us, at our option, all assets of the Studio, including inventory, equipment, supplies and items bearing the Marks; and comply with the covenants not to compete. |
| j. Assignment of contract by franchisor | Franchise Agreement: Paragraph 14.6 | We may sell or assign some or all of our business to any subsidiary or affiliate of Yoga Six, any purchaser of Yoga Six, or any purchaser of the Marks and related business. |
| k. "Transfer" by franchisee definition | Franchise Agreement: Paragraph 14.1 | You may sell or assign your business, but only with our approval. We have sole discretion over whether to approve or disapprove an assignment. |
| l. Franchisor approval of transfer by franchisee | Franchise Agreement: Paragraphs 14.1 and 14.2 | We have the right to approve all your transfers. We may place reasonable conditions on our approval of any transfer. |
| m. Conditions for franchisor approval of transfer | Franchise Agreement: Section 14.2 | You must be in compliance with all agreements, the Manual, all contracts with any party; transfer must, at our option and discretion, either (a) execute our then-current form of franchise agreement for the balance of your Agreement, or (b) agree in writing to assume all obligations and commitments of "Franchisee" under this Agreement; and transferee must assume all obligations under these agreements; transferee meet our then-current requirements and complete or agree to complete our training program for new franchisees; all sums due must be paid; all obligations to third parties must be satisfied; the Studio must be in full compliance with the Manual and standards and specifications for new Yoga Six Studios; the transferee must satisfactorily complete training; you must pay a $10,000 transfer fee; and you must sign a general release, subject to state law, |



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| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| | | of all claims in Franchisor's standard form. |
| n. Franchisor's right of first refusal to acquire franchisee's business | None | There is no right for us to acquire your Studio except as outlined below. |
| o. Franchisor's option to purchase franchisee's business | Franchise Agreement: Section 15.3.I. | We have the option**,** exercisable by giving 30 days' written notice to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Studio, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs), or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Studio. In addition, we have the option to assume your lease for the lease location of the Studio, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease. |
| p. Death or disability of franchisee | Franchise Agreement: Paragraph 14.4 | Must be transferred within six (6) months. |
| q. Non-competition covenants during the term of the franchise | Franchise Agreement: Paragraph 13 | You must not be involved in: (i) any Competing Business (as defined in the Franchise Agreement); or (ii) any business that offers or grants franchises/licenses, or establishes joint ventures, for the operation of a Competing Business.<br><br>Additionally, you must not (a) employ or seek to employ any person employed by us or by any of our other franchisees, or (b) otherwise directly or indirectly induce or seek to induce such person to leave his or her employment during the term of the Franchise Agreement, without first obtaining our consent and, if applicable, the consent of the other System franchisee, or (c) otherwise take action to divert business or clientele to any other Competing Business. |
| r. Non-competition covenants after the franchise is terminated or expires | Franchise Agreement: Paragraph 13 | For a period of 2 years following the expiration/termination of your Franchise Agreement, you must not operate a Competing Business: (i) at the Authorized Location; (ii) within a 10 mile radius of (a) the Authorized |



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| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| | | Location, or (b) any other Studio that is open, under lease or otherwise under development as of the date of termination/expiration.<br><br>Additionally, for a period of 2 years after termination of the Franchise Agreement, you must not shall not (i) solicit business from customers of your former Studio, (ii) contact any of our suppliers or vendors for any competitive business purpose, or (iii) subject to and as permitted by applicable state law where the Studio and employee at issue is located, solicit any of our other employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment. |
| s. Modification of the Franchise Agreement | Franchise Agreement: Paragraph 19 | The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the System through changes in the Manual. |
| t. Integration/merger clause | Franchise Agreement: Paragraph 19 | Only the terms of the Franchise Agreement are binding (subject to applicable state law) and may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable. Any representations or promises outside of this Disclosure Document and other agreements may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Franchise Agreement: Paragraph 16 | You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.<br><br>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters (subject to applicable state law). If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.<br><br>Except for our right to seek injunctive relief in any court of competent jurisdiction and as otherwise described above, any claim arising out of or relating to the Franchise Agreement or |



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| Provision | Paragraph In Agreement | Summary |
|---|---|---|
| | | the relationship of the parties, and any controversy regarding the establishment of the fair market value of assets of the Studio will be resolved in binding arbitration before a single arbitrator in Orange County, California (subject to applicable state law). |
| v. Choice of forum | Franchise Agreement: Paragraph 16.6 | Any action that is not subject to arbitration must be brought in state or federal court in Orange County, California (subject to applicable state law). |
| w. Choice of law | Franchise Agreement: Paragraph 16.1 | The Franchise Agreement is governed by the laws of the State of California without reference to this state's conflict of laws principles, except that: (i) any disputes or actions involving any non-competition covenants, including the interpretation and enforcement thereof, must be governed by the law of the state where the Studio is located; and (ii) any franchise-specific or franchise-applicable laws of California, including those related to pre-sale disclosure and the franchise relationship generally, will not apply to this Agreement or franchise awarded hereunder unless the awarding of said franchise specifically falls within the scope of such California laws, regulations or statutes without reference to and independent of any reference to this choice of law provision. (subject to state law) |

**B. <u>Development Agreement</u>**

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

| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| a. Length of the term of the Development Agreement | Section 1(B), Exhibit B | The Development Schedule will dictate the amount of time you have to open a specific number of franchises, which will differ for each Developer and will be specified in Exhibit B of the Development Agreement. |
| b. Renewal or extension of the term | Not Applicable | Not Applicable |
| c. Requirements for developer to renew or extend | Not Applicable | Not Applicable |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| d. Termination by developer | Not Applicable | Developer may terminate under any grounds permitted by law. |
| e. Termination by franchisor without cause | Not Applicable | Not Applicable |
| f. Termination by franchisor with cause | Section 14 | We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.<br><br>No default under the Development Agreement shall constitute a default under any franchise agreement you have entered into with us, unless your acts or omissions also violate the terms and conditions of that agreement. Failure to comply with any material term or material condition imposed by a franchise agreement executed in connection your Development Agreement will constitute grounds for us to default you under your Development Agreement. |
| g. "Cause" defined – curable defaults | Section 14(B) | We may terminate your Development Agreement after providing notice and a 30-day cure period (unless a different cure period is specified below) if: you fail to meet the Development Schedule; you fail to develop, open, and operate each Studio and execute each Franchise Agreement in compliance with the Development Agreement; you misappropriate or misuse the Marks or impair the goodwill of the Marks or System; fail to make monetary payment under the Development Agreement or any Franchise Agreement to us or our affiliate, and fail to cure within 14 days of receiving written notice from us; fail to correct a deficiency of a health, sanitation, or safety issue identified by a local, state or federal agency or regulatory authority; or you fail to comply with any other material term or material condition of the Development Agreement or any Franchise Agreement. |
| h. "Cause" defined – non-curable defaults | Section 14(A) | We may terminate your Development Agreement automatically upon written notice if: you become insolvent or make a general assignment for the benefit of creditors; file a bankruptcy petition or are adjudicated bankrupt; a bill in equity or appointment of receivership is filed in connection with you; a receiver or custodian of your assets of property is appointed; a proceeding for a |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| | | composition of creditors is initiated against you; a final judgment is entered against you and not satisfied within 30 days; if you are dissolved, execution is levied against you; a suit to foreclose any lien or mortgage against any of your Studios is levied; the real or personal property of a Studio is sold after being levied upon; you fail to comply with the non-competition covenants of the Development Agreement; you or your principal discloses the contents of the Manuals or other confidential information; an immediate threat or danger to public health or safety results from the operation of a Studio operated by you; you or your Principal has made a material misrepresentation in the franchise application; you fail on 3 or more occasions within a one (1) year period to comply with a provision of the Development Agreement; or you fail to comply with the transfer conditions of the Development Agreement. |
| i. Developer's obligations on termination/ non-renewal | Section 14(D), Section 15 | Upon termination, you have no right to establish or operate any Studio for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Development Agreement which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 11), continue in full force and effect until they are satisfied or by their nature expire. |
| j. Assignment of contract by franchisor | Section 16(A) | We have the absolute right to transfer or assign the Development Agreement and all or any part of its rights, duties or obligations to any person or legal entity without your consent. |
| k. "Transfer" by developer - defined | Section 16(B) | A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Development Agreement or any ownership interest in you. |
| l. Franchisor approval of transfer by developer | Section 16(C) | We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions. |
| m. Conditions for franchisor approval of transfer | Section 16(C) | Our conditions for approving a transfer include: all of you and your affiliates' money obligations must |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| | | be satisfied; you and your affiliates must not be in material default of the Development Agreement or any Franchise Agreement; you must execute a general release in our favor, subject to state law; the transferee must meet our then-current criteria for Developers; at our option, you must (a) execute our then-current form of development agreement to govern the remainder of the Development Schedule, and (b) the transferee must sign a written assumption agreement assuming your liabilities under the Development Agreement; you must our then-current Transfer Fee; and you must pay any referral fees or commissions that may be due to any franchise broker, sales agent, or any other third party. |
| n. Franchisor's right of first refusal to acquire developer's business | Section 16(E) | Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party offer to purchase any ownership interest in the Development Agreement. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal. |
| o. Franchisor's option to purchase developer's business | Not Applicable | Not Applicable |
| p. Death or disability of developer | Section 16(F) | You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our training program and executes either a personal guaranty or a new Development Agreement.<br><br>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period. |
| q. Non-competition covenants during the term of the franchise | Section 11(B)(1) | Neither you, your principals, guarantors, owners or key employees, nor any immediate family member of you, your principals, guarantors, owners or key |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| | | employees, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Development Agreement); (ii) employ or seek to employ any employees of us, our affiliates or any other System franchisee/developer or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 11(B)(2) | For a period of two (2) years after the termination/expiration/transfer of your Development Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of Competing Businesses. |
| | Section 11(B)(3) | For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with and Competing Business: (i) within the Development Area; (ii) within a 40-mile radius of your Development Area or any other designated territory or designated area licensed by us to a Studio as of the date of expiration/termination of the Development Agreement through the date you attempt to engage in any competitive activity prohibited by this Section.<br><br>During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Studios; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) subject to and as permitted by applicable state law where the Studio and employee at issue are located, soliciting any employees of us, our affiliates or any other System franchisee or developer to discontinue their employment. |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| s. Modification of the Development Agreement | Section 23(F) | Your Development Agreement may not be modified, except by a writing signed by both parties. |
| t. Integration/ merger/clause | Section 23(G) | Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Sections 22(A) – (C) | You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally.<br><br>At our option, all claims or disputes arising out of the Development Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.<br><br>Except for our right to seek injunctive relief in any court of competent jurisdiction and as otherwise described above, any claim arising out of or relating to the Development Agreement or the relationship of the parties, and any controversy regarding the establishment of the fair market value of assets of the Studio will be resolved in binding arbitration before a single arbitrator in Orange County, California (subject to applicable state law). |
| v. Choice of forum | Section 22(A) | Any action that is not subject to arbitration must be brought in state or federal court in Orange County, California (subject to applicable state law). |
| w. Choice of law | Section 21(A) | The Development Agreement is governed by the laws of the State of California without reference to this state's conflict of laws principles, except that: (i) any disputes or actions involving any non-competition covenants, including the interpretation and enforcement thereof, must be governed by the law of the state where the Studio is located; and (ii) any franchise-specific or franchise-applicable laws of California, including those related to pre-sale |



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| PROVISION | SECTION IN DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS | SUMMARY |
|---|---|---|
| | | disclosure and the franchise relationship generally, will not apply to this Agreement or development rights awarded hereunder unless the awarding of said franchise specifically falls within the scope of such California laws, regulations or statutes without reference to and independent of any reference to this choice of law provision. (subject to state law) |

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in **Exhibit G,** entitled State Specific Addenda, to this Disclosure Document.

## ITEM 18
## PUBLIC FIGURES

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

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

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

In the Chart below in this Item, we disclose the average and median "Gross Revenue" generated by company-owned outlets from January 1, 2019 through December 31, 2019 (the "Measurement Period") by the seven (7) Studios that (a) were open and operating utilizing the Marks and System over the entirety of the 2019 calendar year, and (b) continue to operate in that manner as of the Issue Date of this Disclosure Document (the "Disclosed Studios"). All of the Disclosed Studios were franchised Studios operating pursuant to a franchise agreement with us as of December 31, 2019.

The financial performance representations contained in this Item 19 are historical representations based on past performance of the Disclosed Studios. The following representations are based on monthly profit and loss reports provided by the owner of the Disclosed Studios.

| | Average Gross Revenue | No. of Studios in Subset | No. of Studios that Met and Exceeded Average | High Reported Gross Revenue | Median Reported Gross Revenue | Low Reported Gross Revenue |
|---|---|---|---|---|---|---|
| Disclosed Studios | $847,774 | 7 | 4 | $1,204,943 | $894,891 | $485,503 |

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



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

**Explanatory Note to Part I of this Item 19**

1. The term "Gross Revenue" means the total revenue generated by a given Disclosed Studio over the Measurement Period, including all revenue generated from the sale and provision of any and all Approved Services at, from, or otherwise through, that Studio. The term "Gross Revenue" does not include any amount of revenue the Disclosed Studios may have generated by providing the Teacher Training Program (because the Disclosed Studios did not offer and generate revenue from the provision of the Teacher Training Program in the manner contemplated in this Disclosure Document).

2. The Average Gross Revenue figure was calculated by taking the sum of all the Gross Revenue generated by the Disclosed Studios and dividing that amount by the number of Disclosed Studios in the subset (7).

3. The Median Gross Revenue figure was determined by taking the middle reported Gross Sales value amongst the Gross Revenue values reported by the seven (7) Disclosed Studios once those values are sorted from highest to lowest dollar amount. In this instance, that would be the 4th highest/lowest reported value.

**Notes Regarding Existing Studios and Item 19 Generally**

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

    a. The territories wherein five (5) of the seven (7) Disclosed Studios operate are located within the State of California (with the other 2 Studios in Missouri), where the YOGA SIX brand may have acquired more of a reputation and garnered goodwill amongst the relevant target audience (as compared to other regions of the United States where there are no Studio locations);

    b. Each of the Disclosed Studios utilizes the Marks and System in a manner similar to how you will be required to use such intellectual property in the operation of a new Franchised Business;

    c. Certain of the Disclosed Studios are owned and operated by our affiliate(s) that did not pay us or any other party an Initial Franchise Fee or certain other initial fees described in Item 5 of this Disclosure Document. At the same time, certain of the more mature Disclosed Studios incurred the various other pre-opening costs and expenses over the Measurement Period that you are likely to incur in connection with the development of a new Franchised Business because such Disclosed Studios were all open and operating for some time as of the date the Measurement Period commenced; and

    d. Certain aspects of the Disclosed Studios are primarily managed on a day-to-day basis by a single individual that manages such matters for both locations. While this engagement would be similar to you engaging a "Designated Manager" or other third party to assist in managing certain aspects of your Franchised Business, we do not expect that you will be engaging such a third party at the outset of operating your new Franchised Business (unless you are a multi-unit owner).



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2. The figures provided in this Item exclude certain tax liabilities for which you will be responsible.

3. The figures disclosed in this Item may not include all the professional fees or other administrative expenses that you might incur in connection with opening and commencing operations of your Franchised Business, including legal and accounting fees.

4. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Franchised Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Franchised Business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation. Please note that the figures set forth in this Item 19 do not involve any depreciation or amortization.

5. The revenues and expenses of your business will be directly affected by many factors, such as: (a) your Designated Territory's geographic location and population demographics; (b) advertising effectiveness based on market saturation; (c) whether you operate the business personally or hire a third party to serve as your Designated Manager; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) personnel salaries and benefits (life and health insurance, etc.); (g) insurance costs; (h) weather conditions; (i) ability to generate customers; (j) customer loyalty; (k) employment conditions in the market; and (l) the efforts you and your personnel put into your Franchised Business.

6. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, Yoga Six Franchise, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Studio, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting Lindsay Junk at Yoga Six Franchise, LLC, 17877 Von Karman Avenue, Suite 100, Irvine, California 92614 or via telephone at (949) 529-1880, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

### TABLE 1
### SYSTEMWIDE OUTLET SUMMARY
### FOR YEARS 2017 TO 2019

| OUTLET TYPE | YEAR | OUTLETS AT THE START OF THE YEAR | OUTLETS AT THE END OF THE YEAR | NET CHANGE |
|---|---|---|---|---|
| **FRANCHISED** | 2017 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 |
| | 2019 | 0 | 34 | +34 |
| **COMPANY-** | 2017 | 6 | 7 | +1 |



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| | | | | |
|---|---|---|---|---|
| **OWNED*** | 2018 | 7 | 7 | 0 |
| | 2019 | 7 | 0 | -7 |
| **TOTAL OUTLETS** | 2017 | 6 | 7 | +1 |
| | 2018 | 7 | 7 | 0 |
| | 2019 | 7 | 34 | +27 |

**These units are owned and operated by the founder of the YOGA SIX brand, and these owners entered into franchise agreements with us in 2019 for each of these 7 Studios to be operated as Franchised Businesses moving forward. At that point, these Studio locations were deemed "franchised" for purposes of this Disclosure Document.*

**TABLE 2**
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**
**(OTHER THAN YOGA SIX FRANCHISE, LLC)**
**FOR THE YEARS 2017 TO 2019**

| STATE | YEAR | NUMBER OF TRANSFERS |
|---|---|---|
| **TOTAL OUTLETS** | 2017 | 0 |
| | 2018 | 0 |
| | 2019 | 0 |

**TABLE 3**
**STATUS OF FRANCHISE OUTLETS**
**FOR YEARS 2017 TO 2019**

| STATE | YEAR | OUTLETS AT START OF YEAR | OUTLETS OPENED | TERMI-NATIONS | NON-RENEWALS | REACQUIRED BY FRANCHISOR | CEASED OPERATIONS -OTHER REASONS | OUTLETS AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|---|
| AZ | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| CA | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 13 | 0 | 0 | 0 | 0 | 13 |
| FL | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| IA | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| ID | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 5 | 0 | 0 | 0 | 0 | 5 |
| IL | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |



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| STATE | YEAR | OUTLETS AT START OF YEAR | OUTLETS OPENED | TERMI-NATIONS | NON-RENEWALS | REACQUIRED BY FRANCHISOR | CEASED OPERATIONS -OTHER REASONS | OUTLETS AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 4 | 0 | 0 | 0 | 0 | 4 |
| NM | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| MN | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| MO | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 4 | 0 | 0 | 0 | 0 | 4 |
| OH | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| WI | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 34 | 0 | 0 | 0 | 0 | 34 |

**TABLE 4**
**STATUS OF COMPANY-OWNED* OUTLETS**
**FOR YEARS 2017 TO 2019**

| STATE | YEAR | OUTLETS AT START OF YEAR | OUTLETS OPENED | OUTLETS REACQUIRED FROM FRANCHISEE | OUTLETS CLOSED | OUTLETS SOLD TO FRANCHISEE | OUTLETS AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| CA | 2017 | 4 | 1 | 0 | 0 | 0 | 5 |
| | 2018 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2019 | 5 | 0 | 0 | 0 | 5 | 0 |
| MO | 2017 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2018 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2019 | 2 | 0 | 0 | 0 | 2 | 0 |
| TOTAL | 2017 | 6 | 1 | 0 | 0 | 0 | 7 |
| | 2018 | 7 | 0 | 0 | 0 | 0 | 7 |
| | 2019 | 7 | 0 | 0 | 0 | 7 | 0 |



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**TABLE 5**
**PROJECTED OPENINGS AS OF DECEMBER 31, 2019**

| STATE | UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED | PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR | PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR |
|---|---|---|---|
| **AZ** | 16 | 7 | 0 |
| **CA** | 86 | 26 | 0 |
| **CO** | 20 | 5 | 0 |
| **CT** | 6 | 1 | 0 |
| **D.C** | 4 | 1 | 0 |
| **FL** | 43 | 11 | 0 |
| **GA** | 10 | 3 | 0 |
| **IA** | 2 | 1 | 0 |
| **IL** | 13 | 7 | 0 |
| **IN** | 3 | 2 | 0 |
| **KS** | 5 | 2 | 0 |
| **KY** | 3 | 0 | 0 |
| **MA** | 8 | 4 | 0 |
| **MD** | 3 | 1 | 0 |
| **MI** | 6 | 2 | 0 |
| **MN** | 8 | 1 | 0 |
| **MO** | 5 | 1 | 0 |
| **NC** | 23 | 6 | 0 |
| **NJ** | 14 | 6 | 0 |
| **NM** | 2 | 0 | 0 |
| **NY** | 8 | 3 | 0 |
| **OH** | 4 | 2 | 0 |
| **OK** | 4 | 1 | 0 |
| **OR** | 4 | 2 | 0 |
| **PA** | 5 | 2 | 0 |
| **SC** | 2 | 0 | 0 |
| **TN** | 7 | 4 | 0 |
| **TX** | 37 | 14 | 0 |
| **UT** | 4 | 2 | 0 |
| **VA** | 14 | 5 | 0 |
| **VT** | 1 | 1 | 0 |
| **WA** | 11 | 5 | 0 |



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| STATE | UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED | PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR | PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR |
|---|---|---|---|
| **WI** | 3 | 1 | 0 |
| **TOTAL** | **387** | **130** | **0** |

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this Disclosure Document, as well as a list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this franchise disclosure document, are attached as **Exhibit H**. We do not currently have any franchisee or former franchisee information to disclose.

If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers when you leave the franchise system.

In the last three fiscal years, we have not required franchisees to enter into any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

There are no trademark-specific franchisee organizations.

## ITEM 21
## FINANCIAL STATEMENTS

**Exhibit C** contains our audited financial statements as of December 31, 2019 and December 31, 2018. We have not been franchising for three or more years and cannot therefore provide all financial statements that would have otherwise been required in this Item. Our fiscal year end is December 31 of each year.

## ITEM 22
## CONTRACTS

The following agreements are attached to this Disclosure Document:

| | |
|---|---|
| Exhibit A | Franchise Agreement and Exhibits<br>Exhibit 1 Authorized Location Addendum<br>Exhibit 2 Electronic Funds Transfer Agreement<br>Exhibit 3 Electronic Debit Authorization<br>Exhibit 4 Guarantee<br>Exhibit 5 Addendum to Lease |
| Exhibit D | Statement of Prospective Franchisee |
| Exhibit F | Form of General Release |
| Exhibit G | State Specific Addenda |
| Exhibit I | Development Agreement |

## ITEM 23
## RECEIPTS

Exhibit J to this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the



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Receipt. You should retain one signed copy for your records and return the other signed copy to our CEO at the following address: Lindsay Junk c/o Yoga Six Franchise, LLC, 17877 Von Karman Avenue, Suite 100, Irvine, California 92614 or via telephone at (949) 529-1880.



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**Exhibit A**
**To Franchise Disclosure Document**

**FRANCHISE AGREEMENT AND RELATED EXHIBITS**

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**YOGA SIX FRANCHISE, LLC**
**FRANCHISE AGREEMENT AND RELATED EXHIBITS**

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**TABLE OF CONTENTS**

**ARTICLE** **PAGE**


**1. GRANT OF FRANCHISE; LOCATION ..... 2**
**2. ACCEPTANCE BY FRANCHISEE ..... 3**
**3. TERM AND RENEWAL ..... 5**
**4. TRADEMARK STANDARDS ..... 6**
**5. FEES ..... 8**
**6. FRANCHISOR SERVICES ..... 11**
**7. FACILITY STANDARDS, LEASE AND CONSTRUCTION ..... 16**
**8. STUDIO IMAGE AND OPERATING STANDARDS ..... 18**
**9. ADVERTISING AND MARKETING ..... 23**
**10. FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM AND INSURANCE REQUIREMENTS ..... 26**
**11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION ..... 29**
**12. CONFIDENTIAL INFORMATION ..... 29**
**13. COVENANTS NOT TO COMPETE ..... 31**
**14. TRANSFER OF INTEREST ..... 33**
**15. DEFAULT AND TERMINATION OF AGREEMENT ..... 35**
**16. RESOLUTION OF DISPUTES ..... 40**
**17. MISCELLANEOUS PROVISIONS ..... 45**
**18. ACKNOWLEDGMENTS ..... 47**
**19. ENTIRE AGREEMENT ..... 49**


**EXHIBITS**


EXHIBIT 1 AUTHORIZED LOCATION ADDENDUM

EXHIBIT 2 ELECTRONIC FUNDS TRANSFER AGREEMENT

EXHIBIT 3 ELECTRONIC DEBIT AUTHORIZATION

EXHIBIT 4 GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

EXHIBIT 5 ADDENDUM TO LEASE


© 2019 Yoga Six Franchise, LLC

**YOGA SIX**
**FRANCHISE AGREEMENT**

**In a number of places in this Franchise Agreement, you are asked to initial certain items to show that they have been fully discussed with you, and read, understood and agreed to by you. Initialing those areas does not lessen the importance of other areas or mean they are not fully enforceable.**

This Yoga Six Franchise Agreement (this "Agreement") is entered into as of the ____ day of _____, 20___ between Yoga Six Franchise, LLC, a Delaware limited liability company, doing business as "Yoga Six" ("Franchisor") and _____, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), upon the following terms, conditions, covenants and agreements:

## RECITALS

A. Yoga Six Franchise, LLC, a Delaware limited liability company ("Licensor"), owns and has developed and administers a system and franchise opportunity, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (collectively, the "System") for the establishment and operation of yoga fitness studios ("Studios") identified by the "Yoga Six" trade name and other trademarks and service marks licensed hereunder (the "Marks").

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

C. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a franchise to own and operate a Studio offering (a) yoga instruction and related services that Franchisor authorizes (collectively, the "Approved Services"), and (b) certain merchandise and other products Franchisor authorizes for sale in conjunction with the Approved Services and Studio operations (collectively, the "Approved Products"), all while utilizing the System and Marks.

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

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

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

## 1. GRANT OF FRANCHISE; LOCATION

1.1 **Grant**. Franchisee agrees at all times faithfully, honestly and diligently to perform the obligations under this Agreement and to use Franchisee's best efforts to promote Yoga Six and Franchisee's Studio. Accordingly, Franchisor grants to Franchisee the non-exclusive right and license to:

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

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

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

1.2 **Site Approval Process**. Franchisor will assist Franchisee in connection with site selection by: (i) providing Franchisee with its then-current site selection criteria, to the extent such criteria has been reduced to writing; and (ii) providing Franchisee with access to a local real estate broker that is familiar with Franchisor's confidential site evaluation criteria, to the extent Franchisor has established relationships with such brokers in or around the Designated Market Area (as defined in Section 1.3 below). Franchisor will use commercially reasonable efforts to approve or reject a proposal for an Authorized Location within 30 days of the date Franchisor receives all reasonably-requested information regarding the proposed site. Franchisor's approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Studio. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within six (6) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional three (3) months in certain instances, as explained in Section 2.2.D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Studio that meets Franchisor's approval, within the time period allotted above.

1.3 **Authorized Location & Designated Territory**. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following geographical area:

_____

("Designated Market Area"). Once the Authorized Location for the Studio has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, neither it nor its affiliates will operate or establish, or authorize another System franchisee to operate or establish, a Studio using the System or Marks from a physical location within a certain geographical area surrounding the Authorized Location ("Designated Territory"). The Designated Territory, if any, will be defined in Exhibit 1, hereto. Franchisor will have the right to modify the boundaries of the Designated Territory in the event (a) Franchisee relocates the Franchised Business, or (b) at the time of any requested renewal or proposed assignment of the franchise, the population of the Designated Territory is over 50,000, with said modifications designed to afford Franchisee with a territory that contains a population that is similar to that contained within the original territory at the time this Agreement is signed.

1.4 **Rights Reserved to Franchisor**. Notwithstanding anything contained in this Agreement, Franchisor and its affiliate(s)/parent(s) hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Studios utilizing the Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Studios (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) use the Marks and System, as well as other such marks Franchisor designates, to distribute any Approved Products and/or Services in any alternative channel of distribution, within or outside the Territory(ies) and Development Area (including the internet, mail order, catalog, toll-free numbers, "big-box" gyms, etc.); (iv)acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Studio, located within or outside Franchisee's Designated Territory, and subsequently operate (or license a third party the right to operate) these locations; (v) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Marks at any location; and (vi) use, and license others the right to use, the Marks and System to engage in any other activity not expressly prohibited by this Agreement.

**I have read Article 1, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Studio on the terms and conditions specified herein. Franchisee agrees to follow the System requirements in the operation of its Studio, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of

Franchisor's business and the System now in effect and changed periodically. Franchisee (or, if Franchisee is an entity, one of its operating principals) and its proposed Designated Manager (as defined in Section 5.5(A) of this Agreement) must attend and complete the appropriate initial training to Franchisor's satisfaction, as set forth in Section 6.3 of this Agreement.

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

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

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

C. Franchisee shall submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Section 7.2 and Exhibit 5 ("Lease Addendum").

D. Franchisee agrees that it shall open the Studio for regular, continuous business no later than six (6) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Studio has not opened after six (6) months, Franchisor may agree in writing to provide Franchisee with an additional three (3) months to open its Studio if Franchisee (a) has already secured an approved premises for its Studio, and (b) is otherwise making diligent and continuous efforts to buildout and otherwise prepare its Franchised Business for opening throughout the six (6) month period following the execution of this Agreement. Franchisor reserves the right to charge an extension fee amounting to $2,500 if it affords an extension under this Section.

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

**I have read Article 2, understand it, and agree to comply with each of its Sections**.
**Your Initials:** _____ / _____

## 3. TERM AND RENEWAL

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

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for two (2) consecutive additional five (5) year terms, subject to satisfaction of each of the following conditions:

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

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

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

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

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

F. Franchisee shall pay to Franchisor a renewal fee equal to $10,000 for a successor franchise; and

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

3.3 **Franchisor's Refusal to Renew Franchise**. Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor, or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

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

**I have read Article 3, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 4. TRADEMARK STANDARDS

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

Franchisor represents and warrants that Franchisor or its affiliates own the Marks free and clear of any liens or encumbrances, and that Franchisor has the right to license the use of the Marks, and the license conveyed by this Agreement does not infringe any valid or enforceable trademark rights owned by any other party. Franchisor agrees to indemnify Franchisee from any claims, costs or fees associated with any violation of this provision, subject to the requirement that Franchisor be immediately notified of any third party challenge to Franchisee's authorized use of any Mark under this Agreement, and Franchisor has the right to control any related litigation.

4.2 **Use**.

A. Franchisee shall not use any Mark as part of any corporate or business name with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype

in connection with the operation of the Studio and shall not market any product relating to the Studio without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time to time other trademarks, service marks, trade names and commercial symbols as may be designated by Franchisor in writing.

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

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

4.3 **Litigation**. Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor shall not be liable for any legal expenses of Franchisee unless (a) pre-approved in writing by Franchisor in its discretion, and (b) the action proceeds or arises out of Franchisee's authorized use of the Marks hereunder.

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

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

**I have read Article 4, understand it, and agree to comply with each of its Sections**.
**Your Initials:** _____ / _____

## 5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an initial franchise fee in the sum of Sixty Thousand Dollars ($60,000) for a single Studio upon execution of this Agreement (the "Initial Franchise Fee") in the form of a cashier's check or bank wire. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable under any circumstance.

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

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

5.4 **Initial FFE Package and Proprietary Initial Inventory Kit; Pre-Sale Start-Up Kit and Pre-Sales Phase Expenditures; Studio Management Software.**

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

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

5.5 **Overview of Training Programs and Fees.**

A. *Owner and Designated Manager Training.* The parties agree and acknowledge that Franchisee or, if Franchisee is an entity, at least one (1) of Franchisee's operating principals (an "Operating Principal") must complete the "Owner/Operator" module of Franchisor's proprietary initial training program (the "Owner/Operator Module"), as described more fully in Section 6.3(A) below. If Franchisee (or one of its operating principals) is not going to be on-site at the Studio during normal business hours to manage the day to day operations of its Studio, then Franchisee must appoint an individual to serve as the designated manager of the Studio ("Designated Manager"). The Designated Manager must attend and complete, to Franchisor's satisfaction, the designated manager module of Franchisor's proprietary initial training program, as described more fully in Section 6.3(A) below (the "Designated Manager Module"). Franchisee and certain of its personnel, including a Designated Manager if appointed, will: (i) be required to attend and the requisite initial training described above before the Studio can open for operations, as well as certain ongoing training, as described more fully in Section 6 of this Agreement; and (ii) have the right to request that Franchisor provide certain kinds of training or on-site assistance, subject to the availability of Franchisor's training personnel. While certain initial and ongoing training will be provided by Franchisor without charging any kind of training fee, Franchisee (or its personnel) will be responsible for ensuring Franchisor receives its then-current training fee, as applicable, in connection with any training that Franchisor provides hereunder that involves such a fee (the "Training Fee").

B. *Instructor Training in General.* Each instructor that Franchisee engages to provide any of the Approved Services at its Studio must (i) have successfully completed either (a) a minimum 200-hour yoga teacher training that is registered with Yoga Alliance as necessary to become a "Registered Yoga Teacher" or "RYT" in accordance with the Alliance's requirements and criteria (a "Third-Party RYT Program) or (b) complete Franchisor's proprietary yoga teacher training consisting of approximately 200 hours of instruction, some of which is done in-studio and some of which is done remotely through instruction videos (the "Teacher Training Program"), after which that instructor will be a Registered Yoga Teacher (RYT); and (ii) successfully complete Franchisor's proprietary "bridge training" that is designed to instruct specifically on how to provide Franchisor's Approved Services at a Studio in accordance with Franchisor's System Standards and specifications (the "Bridge Training Program"). An instructor who has become a RYT, through completion of a Third-Party RYT Program or the Teacher Training Program, and has also completed the Bridge Training Program is an "Authorized Instructor" that may provide the Approved Services at the Studio. The following costs and fees are associated with the foregoing training and any additional training that Franchisor or its designee might provide in connection with the Studio.

C. *Bridge Training Program.* Each and every instructor that provides any of the Approved Services at Franchisee's Studio must become an Authorized Instructor, which includes completing the Bridge Training Program, which takes place at Franchisor's corporate headquarters or at an existing Studio. There is no fee to attend the Bridge Training, but Franchisee is responsible for the costs and expenses associated with attending this training (e.g. transportation, meals, lodging, cost to hire a Master Trainer and other expenses).

D. *Teacher Training Program; Fee*. Franchisee will have the option of providing the Teacher Training Program to clientele of the Studio as part of the Approved Services provided: (i) Franchisee has engaged an Authorized Instructor that completes additional training that Franchisor determines appropriate to become a "Master Trainer" that is eligible to provide the Teacher Training Program (the criteria for which will be set forth in the Manual or otherwise by Franchisor); and (ii) Franchisee is otherwise in compliance with this Agreement. If an individual wishes to attend the Teacher Training Program at the Studio, that individual will pay the then-current fee that Franchisor designates (the "Teacher Training Tuition"). If a Teacher Training Tuition fee is paid at Franchisee's Studio or otherwise, Franchisor's Approved Supplier for payment processing will collect this tuition (similar to all other fees paid by Studio clientele) and remit (a) the appropriate portion of that Teacher Training Tuition fee to Franchisor as consideration for and (b) the balance of $1,750 paid out to Franchisee's Studio (or other Studio that is actually providing the instruction to the client).

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

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

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

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

5.6 **Fund Contribution.** Franchisor has established a brand development fund to promote, market and otherwise develop the System, Marks and Franchisor's brand generally (the "Fund"), Franchisee is required to contribute up to two percent (2%) of the Gross Sales of its Studio to this Fund (the "Fund Contribution"), once Franchisee commences collecting revenue in connection with Studio operations, including pre-opening sales activity. The Fund Contribution will typically be paid in the same manner and at the same interval that the Royalty Fee is collected (based on the Gross Sales of the Studio over the immediately preceding reporting period).

5.7 **Electronic Transfer; Right to Modify Collection Interval.**

A. The Royalty Fee, Fund Contribution as well as other fees owed to Franchisor or its affiliates under this Section 5 or otherwise in connection with the Franchised Business, will be automatically debited from Franchisee's point-of-sale operating account administered by the designated supplier of point-of-sale services on a weekly basis throughout the Term, unless Franchisor provides reasonable written notice that Franchisor is modifying the collection interval (*e.g.*, notifying Franchisee that Franchisor will be collecting Royalty Fee, Fund Contribution and other recurring amounts due on a monthly rather than weekly basis, with such monthly fees based on the Gross Sales of the Studio over the preceding calendar month).

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

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

D. Franchisee is required to use only the POS system provided by the designated supplier and will pay the designated provider directly for all fees associated with the use of the designated provider's software. Franchisee is not allowed to use an unapproved external terminal to process transactions.

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

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

**I have read Article 5, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 6. FRANCHISOR SERVICES

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

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

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

A. *Initial Training Requirements for Owner/Operator and Designated Manager.* Prior to opening the Studio, Franchisee must ensure that: (i) Franchisee (or, if an entity, its Operating Principal) completes the Owner/Operator Module of Franchisor's proprietary initial training program, which will typically last three (3) business days at Franchisor's corporate headquarters or another training facility Franchisor designates; and (ii) if Franchisee has engaged a Designated Manager as described in Section 5.5(A) of this Agreement, such Designated Manager has completed the Designated Manager Module of Franchisors initial training program. If any of the individuals described in this Section fail to successfully complete the applicable training required by this Section before the time Franchisee is required to open the Studio hereunder, Franchisor may terminate this Agreement.

B. *Initial Training Requirements for Instructor.*

(1) Any individual that wishes to provide yoga instruction or any of the other Approved Services at the Studio must first become an Authorized Instructor by completing the Bridge Training Program and, if applicable, the Teacher Training Program. Franchisor may terminate this Agreement upon written notice to Franchisee in the event Franchisee permits the Approved Services to be provided by any individual that is not an Authorized Instructor. If Franchisee fails to comply, Franchisor reserves the right to charge Franchisee its then-current

penalty fee ("Penalty Fee") for each day that Franchisee permits anyone other than an Authorized Instructor to provide yoga instruction or any of the other Approved Services at the Studio.

(2) The Teacher Training Program may be provided at Franchisee's Studio as described in Section 5.5(D) of this Agreement, at another Franchisee's Studio, or at an affiliate-owned or corporate Studio. Franchisee, or the instructor at issue, will be required to (a) pay the then-current fee associated with providing the Teacher Training Program for each instructor that attends the Teacher Training Program, and (b) cover the related costs and expenses associated with attending and completing the Teacher Training Program at a Studio that is authorized to provide it.

(3) The Bridge Training Program is provided at Franchisor's corporate headquarters, or an existing Studio. Franchisee, or the instructor at issue, will be required to cover the related costs and expenses associated with attending and completing the Bridge Training Program (e.g. transportation, meals, lodging, cost to hire a Master Trainer and other expenses).

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

(5) Franchisee must otherwise ensure that: (i) any individual that participates in the Bridge Training Program and/or the Teacher Training Program successfully completes that program(s) and passes any test that is provided in connection with the program(s); and (iii) no personnel provides yoga instruction or other Approved Services at the Studio unless and until such personnel successfully completes the requisite training to become an Authorized Instructor and passes any corresponding test(s). Franchisee agrees that Franchisor, as part of its right to inspect and audit the operations of the Franchised Business on an ongoing basis, may require that Franchisee demonstrate that all required personnel have successfully completed all requisite training and corresponding test(s).

C. *Discretionary On-Site Assistance*. Around the time the Studio is opening, Franchisor may send one (1) or more representatives to the Studio to (i) provide assistance and recommendations regarding the opening and initial operations of the Studio, and/or (ii) provide additional or refresher training associated with the Owner/Operator Module and/or the Bridge Training Program, all as Franchisor determines appropriate in its discretion (collectively, the "Discretionary On-Site Assistance"). In the event Franchisor notifies Franchisee that it will be providing the Discretionary On-Site Assistance, such assistance typically lasts one (1) to two (2) days and Franchisee must ensure that Franchisee (or its Operating Principal), Authorized Instructors and all other management personnel are in attendance at the Studio during those days.

D. *Teacher Training Program; Bridge Training; Involvement of Franchisor.*

(1) Franchisee will be permitted to provide the Teacher Training Program at the Studio as part of the Approved Services, provided: (i) Franchisee has engaged an Authorized instructor that completes additional training that Franchisor determines appropriate to become a "Master Trainer" that is eligible to provide the Teacher Training Program (the criteria for which will be set forth in the Manual or otherwise by Franchisor); and (ii) Franchisee is otherwise in compliance with this Agreement.

(2) The Teacher Training Program will typically be comprises of: (i) certain instructional videos that can be watched remotely (at home, at Franchisee's Studio, or at another local Studio that is authorized to provide the Teacher Training Program); and (ii) practical, "hands-on" training which must be completed at a Studio that is authorized to provide the Teacher Training Program. The parties agree and acknowledge that Franchisor may update or otherwise modify the Teacher Training Program, training materials and instructional channels as it determines appropriate in its sole discretion, including to comply with standards related to the RYT certification or integrate new or updated technology or techniques as part of the System.

(3) Any individual that wishes to provide Approved Services at the Studio will be required to become an Authorized Instructor (as described in Section 5.5 of this Agreement), before that individual can provide any Approved Services at the Studio. Any violation of this Section will be grounds for termination of this Agreement upon written notice by Franchisor.

(4) Franchisee agrees and acknowledges that Franchisor is entitled to and will receive the amount described in 5.5(D) in connection with each individual that attends the Teacher Training Program at Franchisee's Studio, which is consideration for the materials and proprietary content developed therein by Franchisor. This amount, once remitted to Franchisor, is deemed fully earned and are not refundable under any circumstances.

(5) Franchisee acknowledges that Franchisor's standard franchise offering assumes that the initial instructor(s) will already be RYTs, thus needing only to attend the Bridge Training Program to become Authorized Instructors, but that Franchisor may permit Franchisee to have one (1) or more instructors complete the Teacher Training Program while Franchisee is securing an approved premises for, and otherwise developing, the Studio for opening. Franchisee specifically acknowledges, however, that if Franchisee chooses to take the foregoing action, this may involve a higher investment than Franchisor's standard franchise offering described in Item 7 of the Franchise Disclosure Document that Franchisor timely and properly disclosed to Franchisee prior to this Agreement being executed (the "FDD").

E. *Ongoing/Refresher Training.* Franchisor may provide, and require that Franchisee, as well as any of its management personnel attend, up to five (5) days of additional training each year at a training facility that Franchisor designates (without charging Franchisee any Training Fee as described in Section 5.5 of this Agreement). Franchisee may also request that Franchisor provide certain additional or refresher training to Franchisee, either at one (1) of Franchisor's designated training facilities or on-site at Franchisee's Studio, but Franchisor reserves the right to charge Franchisee its then-current Training Fee based on the number of days of such training that Franchisor provides at Franchisee's request.

F. *Costs and Expenses.* Franchisee will be responsible for the costs and expenses associated with Franchisee and its personnel attending and completing all of the training described in this Section, including without limitation, any costs related to travel, lodging, meals and (if appropriate) wages/compensation for personnel.

6.4 **Operations Manual**. Franchisor will grant Franchisee online access to an electronic version of the Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its Systems as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the Term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. If Franchisee, intentionally or otherwise through its gross negligence, compromises the secure access to the online version of the Manual (or any hard copy of the Manual), including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the System.

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

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

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

6.8 **Fund.** As detailed in Section 9.1 of this Agreement, the Fund is maintained and administered by Franchisor and, if Franchisor determines appropriate, the assistance of the marketing fund committee ("MFC") to meet the costs of conducting regional and national advertising and promotional activities (including the cost of advertising campaigns, test marketing, marketing surveys, public relations activities and marketing materials) which Franchisor and the MFC deem beneficial to the System.

6.9 **Approving Pre-Opening Support Program.** Franchisor and/or its approved provider will provide Franchisee with advice and consultation with respect to establishing a pre-opening sales plan that Franchisee must: (i) prepare in connection with its own business advisors and Franchisor, and (ii) get

approved by Franchisor prior to implementing as part of Franchisee's pre-opening support program designed to (i) generate initial clientele for the Studio prior to its opening, and (ii) otherwise market and promote the Studio (the "Pre-Opening Support Program"). The components of Franchisee's Pre-Opening Support Program must be approved by Franchisor prior to implementation, including the relevant timelines for certain pre-opening sales and marketing activities.

**I have read Article 6, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

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

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

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

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

accordance with this Agreement. Franchisor, or its Affiliate, will hold themselves, and the Studios they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee.

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

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

7.2 **Lease**. Franchisee is solely responsible for purchasing or leasing a suitable site for the Studio. Franchisee must utilize one of the designated retail real estate attorneys listed in the Manual, or otherwise communicated to Franchisee, to review and negotiate the lease for the Studio. Franchisee must submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Yoga Six Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in Lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease rider in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 5 ("Lease Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Studio. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

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

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

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

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

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

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

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

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

**I have read Article 7, understand it, and agree to comply with each of its sub-sections**.
**Your Initials: _____ / _____**

## 8. STUDIO IMAGE AND OPERATING STANDARDS

8.1 **Compliance**. Franchisee acknowledges and agrees that every detail regarding the appearance and operation of the Studio is important to Franchisor, Franchisee, the System and other System franchisees in order to maintain high and uniform operating standards, to increase demand for the classes sold by all franchisees, and to protect Franchisor's reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and Franchisor's standards and specifications (whether

contained in the Manual or any other written or oral communication to Franchisee by Franchisor) relating to the appearance or operation of the Studio. Franchisee acknowledges that other Studios may operate under different forms of agreement with Franchisor, and that the rights and obligations of the parties to other agreements may differ from those hereunder.

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

8.3 **Personnel.** Franchisee agrees to employ in the operation of the Studio only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the System. Franchisee agrees to staff the Studio at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards. Franchisee shall be considered the employer of all employees and independent contractors of the Studio. It is the sole responsibility of Franchisee to hire, discipline, discharge and establish wages, hours, benefits, employment policies and other terms and conditions of employment for its employees and independent contractors. Franchisee is responsible for obtaining its own independent legal advice regarding the employment of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisor shall have no responsibility for the terms and conditions of Franchisee's relationship with Franchisee's employees and/or independent contractors. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required.

8.4 **Products and Services to be Offered for Sale.**

A. Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform services and products is an essential element of a successful franchise system. In order to insure consistency, quality and uniformity throughout the System, Franchisee agrees (1) to sell or offer for sale only the services or products that have been expressly approved for sale by Franchisor; (2) to sell or offer for sale all services and products

required by Franchisor; (3) not to deviate from Franchisor's standards and specifications; and (4) to discontinue selling and offering for sale any services or products that Franchisor may, in its discretion, disapprove at any time. Franchisor shall supply Franchisee with a list of suppliers from which Franchisee is required to purchase fitness equipment, yoga items, products or services for the Studio. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase fitness equipment, yoga items, products or services from approved suppliers as specified on the changed list. Franchisor, or an affiliate of Franchisor, may be a designated or approved supplier of certain equipment, gear, merchandise, apparel and supplies. Franchisee agrees to keep the Studio and fitness equipment in clean condition, with all equipment well-maintained and operational, and be able at all times during business hours to provide members with all services and products specified by Franchisor.

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

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

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

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

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

G. Unless Franchisor agrees otherwise, Franchisee may not actively solicit potential members or customers, or otherwise promote the Franchised Business through any targeted advertising/marketing, outside of the Designated Territory. Nothing in this Agreement, however, shall prohibit Franchisee from servicing members and other customers that contact Franchisee or the Studio, regardless of where those members/customers reside or work.

H. Unless Franchisor directs or agrees otherwise in writing, Franchisee agrees not to sell vitamins, supplements or other nutritional products or food items, including bottled water, at the Studio.

I. Franchisor reserves the right to charge its then-current per day Penalty Fee for each day Franchisee offers or sells unauthorized products or services from the Studio.

8.5 **Compliance with Laws.** Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Studio, obtain all municipal and state permits, certificates or licenses necessary to operate the Studio and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsibility to investigate and comply with any applicable laws in the state where the Studio is located that are specific to the operation of a health/fitness studio. For example, some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. Franchisee shall operate and maintain the Studio in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to immediately provide

Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Studio. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys' fees and costs) arising from or related to any breach of the certifications set forth in this paragraph.

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

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

8.8 **Performance Standards**. Franchisee and Franchisor have a shared interest in the Studio performing at or above the System Standards. Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet these Performance Standards.

A. *System Standards*. Franchisor may choose, in its sole discretion, to evaluate the Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports.) Franchisee must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Franchisee's employees, including any independent contractors, must meet minimum standards for courteousness and customer service.

B. *Minimum Monthly Gross Revenue Quota.* Unless waived by Franchisor due to unique market conditions, Franchisee must meet a certain Minimum Monthly Gross Revenue Quota. If Franchisee fails to achieve and maintain average monthly gross revenues of $30,000 by the 1st year anniversary of the opening of the Studio and average monthly gross revenues of

$40,000 by the end of the 2nd year anniversary and each succeeding year thereafter, then Franchisor may institute a corrective training program and/or require Franchisee to perform additional local marketing. If Franchisee fails to meet the Minimum Monthly Gross Revenue Quota for 36 consecutive months at any time during the Term of this Agreement, Franchisor, at its sole discretion, may institute a mandatory corrective training program or terminate this Agreement upon written notice to Franchisee.

## 9. ADVERTISING AND MARKETING

9.1 **Fund**.

A. Franchisee will be required to pay the appropriate Fund Contribution to Franchisor as described in Section 5.6 of this Agreement. In the event Franchisor increases the Fund Contribution from what it is as of the date this Agreement is signed, Franchisor will provide at least 60 days' written notice of such increase in the Fund Contribution.

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

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

D. Franchisor may spend in any calendar year more or less than the total Advertising Contributions to the Fund in that year. Franchisor may cause the Fund to invest any surplus for future use by the Fund. Franchisor may borrow from Franchisor (paying reasonable interest, determined from time to time by Franchisor, which provides Franchisor with a return commensurate with the prevailing interest rate charged by persons in the business of lending

money under similar circumstances) or other lenders on behalf of the Fund to cover deficits of the Fund.

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

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

G. Franchisee acknowledges that the Fund Contributions are intended to maximize general public recognition of and the acceptance of the Intellectual Property for the benefit of the System as a whole. Notwithstanding the foregoing, Franchisor undertakes no obligation, in administering the Fund Contributions to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution, or to insure that any particular Studio or Franchised Business benefits directly or *pro rata* from advertising or promotion conducted with the Fund Contributions.

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

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

9.2 **Initial Marketing Spend; Local Marketing Activities.**

A. *Initial Marketing Spend.* Franchisee must spend a minimum of Fifteen Thousand Dollars ($15,000) (the "Initial Marketing Spend") in connection with the pre-opening sales and marketing activities set forth in connection with (i) Franchisee's approved Opening Support Program, and (ii) other marketing and promotional activities that Franchisor approves or designates. Franchisor may also require that Franchisee expend all or any portion of the Initial Marketing Spend on initial marketing/advertising and/or public relations materials or services that are purchased from an Approved Supplier.

B. *Local Advertising Requirement.* Franchisee is responsible for local advertising and marketing activities to attract members to the Studio. Franchisee must expend at least $1,500 per month on approved local advertising and marketing activities designed to promote the Studio within the Designated Territory. Upon Franchisor's written request, Franchisee must provide Franchisor with an accounting of all expenditures made by Franchisee to comply with this Section, along with any invoices or other documentation to support such expenditures.

C. *Advertising Standards*. Franchisee's advertising will be in good taste and conform to ethical and legal standards and Franchisor's requirements. Franchisor may require Franchisee to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. Franchisor retains the right to approve or disapprove of such advertising, in its sole discretion. Franchisee agrees not to use any materials or programs disapproved by Franchisor.

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

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

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

**I have read Article 9, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

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

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

10.2 **Right to Conduct Audit or Review**. Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Studio including, without limitation financial records, books, tax returns, papers, and business management software programs of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Studio or Franchisee's head office (if different), or both, and Franchisee agrees to provide all information pertaining to the Studio requested by Franchisor during its review. If the review is done because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

10.3 **Computer System and Software.** Franchisee must acquire a computer for use in the operation of the Studio. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class and employee schedules and other business information promptly in the computer system and use the software that Franchisor specifies or otherwise approves. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time. Data, including names, addresses, contact information, and credit card or payment information of members of the Studio will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Studio that is stored on the required software and online. Franchisor may use such information to communicate directly to the members of the Studio, and to provide updates, information, newsletters, and special offers to the members. Franchisee must upgrade and maintain the computer system and software in the Studio, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the member information and Franchisor shall be the sole owner of such information.

10.4 **Insurance.**

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

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

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

| **Required Coverage** | **Minimum Limits of Coverage** |
|---|---|
| General Aggregate | $5,000,000 |
| Products/Completed Operations Aggregate | $5,000,000 |
| Personal and Advertising Injury | $1,000,000 |
| Each Occurrence | $1,000,000 |
| Participant Legal Liability | $1,000,000 |
| Professional Liability | $1,000,000 |
| Employee Benefits Liability (per employee) | $1,000,000 |
| Employee Benefits Liability (aggregate) | $2,000,000 |
| Damage to Rented Premises (per occurrence) | $1,000,000 |
| Medical Expense (any one person) | $5,000 |

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

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

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

(6) Employment Practices Liability with a limit no less than $1,000,000 per claim and $1,000,000 aggregate per location. The retention may not exceed $25,000.

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

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

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

E. Franchisee's obligation to obtain and maintain insurance shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. All insurance policies and coverage must name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change or cancellation to any such policy. Franchisee shall give Franchisor certificates of coverage at least annually. Failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.1, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Studio. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

**I have read Article 10, understand it, and agree to comply with each of its Sections**.

**Your Initials: _____ / _____**

## 11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

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

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

**I have read Article 11, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 12. CONFIDENTIAL INFORMATION

12.1 **Franchisor's Confidential Information**.

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Studio, including, without limitation, the Manual,

Franchisor's training program, members and supplier lists, or other information or know-how distinctive to System Franchise (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to Franchisee's Studio employees, including any independent contractors, with a need to know the information in order to operate the Studio. Upon Franchisor's request, Franchisee shall require the Studio's employees and any independent contractors to execute a nondisclosure and non-competition agreement in a form satisfactory to Franchisor. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Studio and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees or any independent contractors learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

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

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

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that

Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

**I have read Article 12, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 13. COVENANTS NOT TO COMPETE

13.1 **Non-Competition Covenants of Franchisee.**

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

*B. After the Term of this Agreement*.

1. Prohibition on Franchising. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

2. Prohibition on Competing Businesses. For two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement or after Franchisee has assigned its interest in this Agreement, the Restricted Parties shall not own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with, any other Competing Business: (i) at the Authorized Location; or (ii) within a ten (10) mile radius of (a) the Authorized Location, or (b) any other Franchised Studio or Corporate Studio that is open, under lease or otherwise under development as of the date this Agreement expires or is terminated.

E.

13.2 **Non-Solicitation Covenants.**

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

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

13.3 **Enforcement of Covenants.**

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

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Article 13 or any portion of this Article 13 to be unenforceable and/or unreasonable, the court is authorized and directed to reduce the scope or

duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

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

**I have read Article 13, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Studio, any of its rights hereunder, or in the lease for the premises at which the Studio is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.3 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

14.2 **Conditions for Approval of Transfer.** Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a transfer fee in an amount equal to $10,000, except in circumstances where Franchisor only charges an administrative fee as set forth at the end of this Section; (2) Franchisee signs a prescribed form of general release in favor of Franchisor and related parties; (3) at Franchisor's option, transferee (and, if appropriate, it owners) must (a) execute Franchisor's then-current form of franchise agreement that will then govern the balance of the term of this Agreement, or (b) enter into a form of assignment and consent to transfer whereby transferee (and, if appropriate, its owners) agree to assume all of Franchisee's obligations and covenants under this Agreement; (4) the Studio and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it is necessary; and (5) the transferee (a) completes (or has its Operating Principal complete) the Owner/Operator Module and has its Designated Manager complete the Designated Manager Training Program, and (b) has at least one (1) Authorized Instructor prior to reopening, and/or resuming the provision of Approved Services at, the Studio. Instead of requiring payment of the standard Transfer Fee, Franchisee must only pay Franchisor an administrative fee amounting to

(a) $500 if the proposed transfer is from the existing Franchisee as an individual to an entity that is wholly owned by the existing individual Franchisee(s) that originally signed this Agreement, or (b) $1,500 if it is a proposed transfer from Franchisee to an immediate family member of that Franchisee.

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

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

14.5 **Relocation**. Franchisee may not relocate the Studio from the Authorized Location without Franchisor's prior written approval, which Franchisor may provide in its sole discretion. Franchisee agrees and acknowledges that: (i) it must pay Franchisor a $5,000 relocation fee at the time Franchisee makes any relocation request; and (ii) Franchisor is not likely to approve any relocation request unless (a) due to extreme circumstances that are beyond Franchisee's control, and (b) Franchisee is in full compliance with this Agreement.

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

**I have read Article 14, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisor**. Franchisor shall have the right to terminate this Agreement for "good cause" upon delivering notice of termination to Franchisee. For purposes of this Agreement, "good cause" shall include, without limitation: (i) a material breach of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, (ii) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, and (iii) the breaches (and, if applicable, failure to cure such breaches) described below in this Section 15.

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

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

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

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

(4) Franchisee voluntarily or otherwise abandons the Studio. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Studio for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Studio in accordance with this Agreement or the Manual;

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

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

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

(8) Franchisee's: (i) disclosure, utilization, or duplication of any portion of the System, the Manual or other proprietary or Confidential Information relating to the Studio that is contrary to the provisions of this Agreement; or (ii) material misuse of the Marks in any manner not expressly authorized by Franchisor;

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

(10) Franchisee fails to obtain lawful possession of an Authorized Location and/or open for business as a Studio within six (6) months after this Agreement is accepted by Franchisor, unless Franchisor agrees otherwise in writing;

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

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

(13) Franchisee, after curing a default pursuant to Section 15.1.B. herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

B. **Termination with Notice**. In addition to the provisions of Section 15.1.A, if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (or 10 days' prior notice in the event of a default that is described in Subsections (6), (7) or (8) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

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

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

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

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

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

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

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

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

(9) Franchisee allows classes or other Approved Services to be taught or training to be conducted by anyone who (a) are not Authorized Instructors; or (b) have not completed the training required to provide the Approved Services;

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

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

(12) Franchisee fails to abide by the pertinent marketing and advertising

requirements and procedures and participate in marketing programs for the business as established by Franchisor;

(13) Franchisee fails to comply with the Performance Standards as set forth in the provisions of this Agreement, as prescribed by Franchisor, or in the Manual, including, but not limited to, the Minimum Monthly Gross Revenue Quota for a period of 36 consecutive months, System Standards for cleanliness, customer service, equipment maintenance, and any other System Standards which effect or enhance the member experience at the Studio; or

(14) Franchisee fails to (a) utilize Franchisor's then-current approved supplier to provide the Opening Support Program, (b) actively engage in the Pre-Sale Phase activities set forth in the plan that Franchisor and/or its Approved Supplier approves in connection with the Opening Support Program, and/or (c) fails to timely acquire the Pre-Sale Start-Up Kit or expend the required minimum amounts that Franchisor prescribes in connection with the Pre-Sale Phase and other pre-opening activities designed to promote the Studio consistent with the terms of this Agreement.

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

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

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

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

C. Franchisee shall immediately terminate all advertising and promotional efforts and any other act that would in any way indicate that Franchisee is or was ever an authorized Yoga Six franchisee;

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

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

F. Franchisee shall pay all sums owing to Franchisor and its approved suppliers for outstanding amounts owed under the Franchise Agreement and otherwise in connection with the Studio. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor as a result of the default;

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

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

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

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

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

J. Termination, expiration or non-renewal of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against

Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

15.4 **Franchisor's Rights and Remedies in Addition to Termination.**

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

B. As an alternative to Franchisor's exercising its rights under Section 15.4.A, above, and only in the event of a premature termination of this Agreement, Franchisee shall pay Franchisor liquidated damages in an amount equal to the sum of the royalties paid to Franchisor for the twenty four (24) months prior to the termination of this Agreement; provided, however exercise of this right shall not preclude Franchisor's right to seek injunctive relief as outlined in Section 16.5. Franchisee's payment to Franchisor would not be a penalty for breaching this Franchise Agreement, but rather a reasonable estimate of the losses Franchisor would incur in the event of the closure of Franchisee's franchised business. Should Franchisor elect to enforce its right to liquidated damages under this Section, Franchisee's obligation to pay such damages would be in addition to Franchisee's obligations to (i) pay all amounts still owed to Franchisor, and (ii) adhere to Franchisee's other post-termination obligations. Franchisor's right to payment of liquidated damages would be in addition to all other post-termination remedies available to Franchisor under the law.

**I have read Article 15, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 16. RESOLUTION OF DISPUTES

16.1 **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to the state's conflict of laws principles, except that: (i) any disputes or actions involving any non-competition covenants set forth in this Agreement or any other Franchise Agreement, including the interpretation and enforcement thereof, shall be governed by the law of the state where the Development Area or Studio, as applicable, is located; and (ii) any franchise-specific or franchise-applicable laws of California, including those related to pre-sale disclosure and the franchise relationship generally, will not apply to this Agreement or franchise awarded hereunder unless

the awarding of said franchise meets all jurisdictional and other requirements to specifically fall within the scope of such California laws, regulations or statutes without reference to and independent of any reference to this choice of law provision.

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

16.3 **Mediation**. At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 16.1 above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (a) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information or other confidential information; (b) any of the restrictive covenants contained in this Agreement; and (c) any of Franchisee's payment obligations under this Agreement.

16.4 **Mandatory Binding Arbitration**. Except as provided in Section 16.5 of this Agreement, Franchisee and Franchisor agree that any claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where either party is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, (each a "Claim") will be processed in the following manner:

A. Franchisee and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section 16.5 below;

B. All Claims shall be submitted to and resolved by binding arbitration that will take place at Franchisor's headquarters or other location that Franchisor designates in Orange County, California, before and in accordance with the arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator shall be entered in any Court having jurisdiction thereof.

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

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

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

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

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

16.6 **Choice of Forum.**

A. Franchisee acknowledges and agrees that this Agreement is entered into in California and that, subject to the dispute resolution provisions set forth in Sections 16.2 through

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

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

C. Franchisee acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 16.5 above, including to enforce Franchisee's non-compete obligations hereunder.

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

16.8 **WAIVER OF JURY TRIAL**. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

16.9 **WAIVER OF CLASS ACTIONS**. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

16.10 **Attorneys' Fees and Costs.**

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

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

C. Apart from the obligations above in this Section 16.10, Franchisee agrees and acknowledges that it will be responsible for the legal fees and other costs that Franchisor incurs in connection with certain modifications that Franchisor agrees to make to the Franchise Agreement, including without limitation, modifications made to address the following situations: (i) relocation; or (ii) any other amendment to extend a given performance deadline of Franchisee, modify the territory awarded hereunder, or otherwise modify, amend or supplement this Agreement in any way at the request of Franchisee or as necessary for Franchisee to avoid this Agreement being in default or subject to termination. Franchisor may set forth flat fee amounts designed to help defray the costs associated with addressing certain of the foregoing situations in the context of this Agreement or any other agreement with Franchisor, whether in the Manuals or otherwise in a writing distributed to System franchisees.

16.11 **No Withholding of Payments**. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

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

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

**I have read Article 16, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 17. MISCELLANEOUS PROVISIONS

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

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

17.3 **Designation of Responsible Parties**. Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the Operating Principal(s) of the Studio. Each Operating Principal named below has the authority to act for Franchisee in all matters relating to the franchised Studio granted hereunder, including voting responsibilities. Only those individuals who are party to this Agreement and have an ownership interest in the franchise entity may be listed as an Operating Principal. Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Operating Principal(s), or in ownership information of Franchisee, is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a ☐ _____, organized under the laws of _____, or ☐ Franchisee is an individual or group of individuals, and

hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

| **Shareholder, Partner, Member or Individual Name and Address** | **Percentage of Ownership Interest** |
|---|---|
| _____ | _____ |
| _____ | _____ |

**Operating Principal (may also be referred to as the "Designated Operator" in the FDD):**

_____

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

17.5 **Notices**.

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

**If to Franchisor:**

Yoga Six Franchise, LLC
Attention: Lindsay Junk
17877 Von Karman Avenue, Suite 100
Irvine, California 92614

**If to Franchisee:**

_____
_____
_____

B. The addressees herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by

United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand.

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

**I have read Article 17, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 18. ACKNOWLEDGMENTS

18.1 THE SUBMISSION OF THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION

HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

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

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

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

**I have read Article 18, understand it, and agree to comply with each of its Sections**.
**Your Initials: _____ / _____**

## 19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Yoga Six Franchisee at the Studio location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Franchisee.

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

***[THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK SIGNATURES ON THE FOLLOWING PAGE]***

**"FRANCHISOR"**

By:_____

Title: _____

Accepted: _____

**"FRANCHISEE"**

If Franchisee is an individual:

Signature:_____

Date: _____

Signature: _____

Date: _____

If Franchisee is a corporation or other entity:

_____
[Name of Franchisee]

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

**EXHIBIT 1 TO**
**YOGA SIX FRANCHISE AGREEMENT**

**AUTHORIZED LOCATION ADDENDUM**

This Addendum is made to the Yoga Six Franchise Agreement (the "Franchise Agreement") between Yoga Six Franchise, LLC ("Franchisor"), and _____ ("Franchisee"), dated _____, 20__.

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

2. **Authorized Location**. The parties hereto agree that the Authorized Location referred to in Section 1.3 of the Franchise Agreement shall be the following:

_____.

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

_____
_____
_____

This Addendum is agreed to and accepted by the parties this ___ day of _____, 20__.

**FRANCHISOR:**

By: _____

Title: _____

**FRANCHISEE:**

By: _____

Title: _____

By: _____

Title: _____

©2020 Yoga Six Franchise, LLC

**EXHIBIT 2 TO THE**
**YOGA SIX FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER AGREEMENT**

This Electronic Funds Transfer Agreement (the "Agreement") is made on this ___day of _____, 20__ by and between Yoga Six Franchise, LLC. ("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

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

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

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

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the "Electronic Debit Authorization" attached as Exhibit 3 to the Franchise Agreement, which authorizes Franchisee's bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor's bank account(s). Upon Franchisor's request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens after the date of this Addendum) in connection with such EFT.

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

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason and a Fifty Dollar ($50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be

a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

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

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

**FRANCHISOR:**

By: _____

Title: _____

**FRANCHISEE:**

By: _____

Title: _____

By: _____

Title: _____

**EXHIBIT 3 TO THE**
**YOGA SIX FRANCHISE AGREEMENT**

**ELECTRONIC DEBIT AUTHORIZATION**
***[SAMPLE – MAY OBTAIN INFORMATION IN DIFFERENT MANNER]***

FRANCHISOR: Yoga Six Franchise, LLC

FRANCHISOR ID NUMBER: _____

The undersigned hereby authorizes Yoga Six Franchise, LLC (the "Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: _____
Branch: _____
City State and Zip Code: _____
_____
Transit/ABA No.: _____
Account Number: _____

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

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

DATE: _____

ID NUMBER: _____

PRINT NAME(S): SIGNATURE(S):

_____ _____

_____ _____

©2020 Yoga Six Franchise, LLC

**EXHIBIT 4 TO THE**
**YOGA SIX FRANCHISE AGREEMENT**

**GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT**

For value received, and in consideration for, and as an inducement to Yoga Six Franchise, LLC (the "Franchisor") to execute the Yoga Six Franchise Agreement (the "Franchise Agreement"), of even date herewith, by and between Franchisor and _____ or his assignee, if a partnership, corporation or limited liability company is later formed (the "Franchisee"), _____ (the "Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

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

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

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

Guarantor(s) hereby acknowledge and agree to be individually bound by all obligations and covenants of Franchisee contained in the Franchise Agreement, including those related to non-competition and confidentiality.

This Guarantee shall terminate upon the expiration or termination of the Franchise Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s), and all covenants that by their terms continue in force after termination or expiration of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guarantee, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guarantee is to be performed in Orange County, California and shall be governed by and construed in accordance with the laws of the State of California. Notwithstanding the foregoing, the undersigned specifically agree and acknowledge that any claims, causes of action or disputes arising out of or related to Franchisee's or any of Guarantor's covenants not to compete (set forth in the Franchise Agreement and now incorporated by reference as if fully set forth in this Guaranty), including the interpretation, validity and enforcement thereof, shall be governed by the laws where the Studio` is located. Guarantor(s) specifically agree that the provision of the Franchise Agreement related to dispute resolution (internal dispute resolution, non-binding mediation and arbitration), injunctive relief, waivers, attorneys' fees and other enforcement of the Franchise Agreement shall apply equally with respect to all claims or causes of action arising out of or related to this Guaranty in any manner (including the interpretation thereof). Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration as set forth in the Franchise Agreement (subject to the exceptions described therein).

In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

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

**WITNESS:** **GUARANTOR(S)**

_____ By: _____

_____

By: _____

**EXHIBIT 5 TO THE**
**YOGA SIX FRANCHISE AGREEMENT**

**ADDENDUM TO LEASE**

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated _____ and entered into by Tenant and Landlord concerning the Location at _____(the "Lease").

Landlord and Tenant, intending that Yoga Six Franchise, LLC, a Delaware limited liability company, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

(1) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Studio, including the name "Yoga Six," the Studio design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Yoga Six Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;

(2) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;

(3) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;

(4) The Premises shall be used only for the operation of a Yoga Six Studio;

(5) Tenant may, without Landlord's consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;

(6) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from all further liability under the Lease;

(7) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

Yoga Six Franchise, LLC
Attn: Lindsay Junk
17877 Von Karman Avenue, Suite 100
Irvine, CA 92614

(8) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor's prior written consent.

AGREED:

| TENANT | LANDLORD |
|---|---|
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**Exhibit B**
**To Franchise Disclosure Document**

**LIST OF STATE AGENTS FOR SERVICE OF PROCESS**
**AND STATE ADMINISTRATOR**

## LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

**CALIFORNIA**
Commissioner of Business Oversight
One Sansome Street
Suite 600
San Francisco, CA 94104
Tel: (415) 972-8559
Fax: (415) 972-8590
Toll Free: (866) 275-2677

**CONNECTICUT**
Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

**FLORIDA**
Tom Kenny, Regulatory Consultant
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

**HAWAII**
(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)
Department of Commerce &
Consumer Affairs
King Kalakaua Building
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

**ILLINOIS**
Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

**INDIANA**
(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)
Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

**IOWA**
Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059
email: iowasec@iid.state.ia.us

**MARYLAND**
(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

**MICHIGAN**
(for service of process)
Michigan Department of Consumer and Industry Services
Bureau of Commercial Services
Corporations Division
PO Box 30054
Lansing, Michigan 48909
Tel: (517) 241-6470

(state agency)
Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
670 Law Building
Lansing, MI 48913
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**MINNESOTA**
Commissioner of Commerce
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**NEW YORK**
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Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
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Albany, NY 12231-0001
(518) 473-2492

(state agency)
Office of the Attorney General
Investor Protection Bureau
28 Liberty Street, 15th Floor
New York, NY 10005
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**NORTH DAKOTA**
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North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

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**OREGON**
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Business Services
Division of Finance & Corporate Securities
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**RHODE ISLAND**
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**SOUTH DAKOTA**
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**TEXAS**
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Secretary of State
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**UTAH**
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**VIRGINIA**
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Clerk of the State Corporation Commission
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(state agency)
Director
State Corporation Commission
Division of Securities and Retail Franchising
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Richmond, Virginia 23219
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**WASHINGTON**
(for service of process)
Administrator
Department of Financial Institutions
Securities Division
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Tumwater, Washington 98501

(state agency)
Administrator
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Securities Division
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**WISCONSIN**
Commissioner of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
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**Exhibit C**
**To Franchise Disclosure Document**

**FINANCIAL STATEMENTS**

# Yoga Six Franchise, LLC

Financial Statements as of December 31, 2019 and 2018 and for the Year Ended December 31, 2019 and the Period from July 6, 2018 (Date of inception) through December 31, 2018 and Independent Auditors' Report

# Yoga Six Franchise, LLC

Table of Contents


| | |
|---|---|
| Independent Auditors' Report | 1 |
| Balance Sheets | 3 |
| Statements of Operations | 4 |
| Statements of Changes to Member's Equity (Deficit) | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of
Yoga Six Franchise, LLC:

We have audited the accompanying financial statements of Yoga Six Franchise, LLC (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes to member's equity (deficit), and cash flows for the year ended December 31, 2019 and the period from July 6, 2018 (date of inception) through December 31, 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yoga Six Franchise, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for year ended December 31, 2019 and for the period from July 6, 2018 (date of inception) through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 8 to the financial statements, subsequent to December 31, 2019, substantially all of the franchisees' studios have temporarily closed in response to the COVID-19 pandemic and the closures could have an unfavorable impact on the Company's results of operations, financial position and cash flows in 2020.

As discussed in Note 2 to the financial statements, in 2019, the Company adopted Accounting Standard Codification No. 606, "Revenue from Contracts with Customers" (ASC 606), using the full retrospective transition method.

As discussed in Note 1 to the financial statements, the Company has extensive transactions and relationships with its Member, Xponential Fitness LLC, and its related affiliates. Accordingly, the accompanying financial statements may not be indicative of the results of operations that would have been achieved if the Company had operated without such affiliations.

Our opinion is not modified with respect to these matters.

Deloitte & Touche LLP

April 27, 2020

# Yoga Six Franchise, LLC

Balance Sheets

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Assets** | | |
| Current Assets: | | |
| Cash, cash equivalents and restricted cash | $ 848,846 | $ 1,240,746 |
| Accounts receivable | 397,034 | 241,000 |
| Inventories | 293,615 | 87,036 |
| Prepaid expenses and other current assets | 35,250 | 44,330 |
| Related party receivables (Note 6) | 62,714 | — |
| Deferred costs, current portion | 492,695 | 30,453 |
| Total current assets | 2,130,154 | 1,643,565 |
| Property and equipment, net | 10,141 | 3,718 |
| Goodwill | 3,213,594 | 3,213,594 |
| Intangible assets, net | 1,888,333 | 2,108,333 |
| Deferred costs, net of current portion | 9,349,518 | 922,509 |
| Total assets | $ 16,591,740 | $ 7,891,719 |
| **Liabilities and Member's Equity (Deficit)** | | |
| Current Liabilities: | | |
| Accounts payable | $ 1,015,920 | $ 528,514 |
| Accrued expenses | 1,365,156 | 167,507 |
| Deferred revenue, current portion | 1,841,510 | 388,366 |
| Other current liabilities | 480,793 | 15,550 |
| Related party payables (Note 6) | 11,877 | 915,463 |
| Total current liabilities | 4,715,256 | 2,015,400 |
| Deferred revenue, net of current portion | 15,155,685 | 1,868,077 |
| Contingent consideration from acquisition | — | 909,382 |
| Total liabilities | 19,870,941 | 4,792,859 |
| Commitments and contingencies (Note 7) | | |
| Member's equity (deficit) | (3,279,201) | 3,098,860 |
| Total liabilities and member's equity (deficit) | $ 16,591,740 | $ 7,891,719 |

See accompanying notes to financial statements.

# Yoga Six Franchise, LLC

Statements of Operations

| | Year ended December 31, 2019 | Period from July 6, 2018 (date of inception) to December 31, 2018 |
|---|---|---|
| Revenue: | | |
| Franchise revenue | $ 1,111,086 | $ 5,773 |
| Equipment revenue | 1,519,825 | — |
| Merchandise revenue | 823,141 | 4,906 |
| Franchise marketing fund revenue | 125,693 | — |
| Other service revenue | 301,905 | 51,703 |
| Total revenue, net | 3,881,650 | 62,382 |
| Operating costs and expenses: | | |
| Costs of product revenue | 1,663,036 | 5,975 |
| Costs of franchise and service revenue | 458,531 | 2,638 |
| Selling, general and administrative expenses | 4,714,894 | 1,300,448 |
| Depreciation and amortization | 244,542 | 91,713 |
| Marketing fund expense | 125,693 | — |
| Acquisition and transaction expenses | — | 66,960 |
| Total operating costs and expenses | 7,206,696 | 1,467,734 |
| Operating loss | (3,325,046) | (1,405,352) |
| Interest expense, net | (76,444) | (30,376) |
| Loss before income taxes | (3,401,490) | (1,435,728) |
| Income taxes | 2,400 | — |
| Net loss | $ (3,403,890) | $ (1,435,728) |

See accompanying notes to financial statements.

# Yoga Six Franchise, LLC

Statements of Changes to Member's Equity (Deficit)

| | Member Contribution | Receivable from Member | Accumulated Deficit | Total Member's Equity (Deficit) |
|---|---|---|---|---|
| Balance at July 6, 2018 | $ — | $ — | $ — | $ — |
| Member contribution | 4,534,588 | — | — | 4,534,588 |
| Net loss | — | — | (1,435,728) | (1,435,728) |
| Balance at December 31, 2018 | 4,534,588 | — | (1,435,728) | 3,098,860 |
| Cash payments to Member, net (Note 6) | — | (2,974,171) | — | (2,974,171) |
| Net loss | — | — | (3,403,890) | (3,403,890) |
| Balance at December 31, 2019 | $4,534,588 | $(2,974,171) | $(4,839,618) | $ (3,279,201) |

See accompanying notes to financial statements.

# Yoga Six Franchise, LLC

Statements of Cash Flows

| | Year ended December 31, 2019 | Period from July 6, 2018 (date of inception) to December 31, 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (3,403,890) | $ (1,435,728) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 244,542 | 91,713 |
| Accretion of contingent consideration from acquisition | 77,297 | 30,376 |
| Loss on disposal of assets | 396,322 | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | (156,034) | (241,000) |
| Inventories | (206,579) | (87,036) |
| Prepaid expenses and other current assets | 9,080 | (44,330) |
| Deferred costs | (8,899,994) | (952,962) |
| Accounts payable | 487,406 | 528,514 |
| Accrued expenses | 210,970 | 183,057 |
| Deferred revenue | 14,740,752 | 2,256,443 |
| Other assets | (11,978) | — |
| Other liabilities | 465,243 | — |
| Net cash provided by operating activities | 3,953,137 | 329,047 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (402,666) | (3,764) |
| Purchase of web design and domain | (2,000) | — |
| Proceeds from disposal of assets | 100 | — |
| Acquisition of business | — | (3,000,000) |
| Net cash used in investing activities | (404,566) | (3,003,764) |
| Cash flows from financing activities: | | |
| Receipts from (advances to) member, net | (3,888,921) | 914,750 |
| Receipts from (advances to) affiliates, net | (51,550) | 713 |
| Loan received from related party | — | 49,500 |
| Payment of loan to related party | — | (49,500) |
| Member capital contributions | — | 3,000,000 |
| Net cash provided by (used in) financing activities | (3,940,471) | 3,915,463 |
| Increase/(decrease) in cash, cash equivalents and restricted cash | (391,900) | 1,240,746 |
| Cash, cash equivalents and restricted cash, beginning of period | 1,240,746 | — |
| Cash, cash equivalents and restricted cash, end of period | $ 848,846 | $ 1,240,746 |
| Non-cash investing activities: | | |
| Stock issued for acquisition of business | $ — | $ 1,534,588 |

See accompanying notes to financial statements.

**Note 1 – Nature of Business and Operations**

Yoga Six Franchise, LLC (the "Company"), a Delaware limited liability company (LLC), was formed on July 6, 2018, and began operations on July 31, 2018. References to the period ended December 31, 2018 relate to the period from July 6, 2018 (inception) to December 31, 2018. References to the year ended December 31, 2019 refer to the period from January 1, 2019 to December 31, 2019.

The sole member of the Company is Xponential Fitness LLC, a Delaware LLC (the "Member"), with a portfolio of eight boutique fitness brands, including the Company. The Company was formed for the purpose of holding the net assets related to the franchise operations of the business acquired of the "YogaSix" concept, including the franchise operations.

The Member contributed $3,000,000 in cash to fund the Company's operations on July 31, 2018. In addition, the Member contributed 5,716.9 shares of the Member's Parent's Class A-1 stock, valued at $1,534,588, which was used to fund the acquisition discussed in Note 3. The Company sells franchises under the name "YogaSix." The YogaSix concept is a yoga boutique exercise facility where club members have access to classes that concentrate on connecting to your body in a way that is energizing, empowering and fun. As of December 31, 2019, the Company has sold the rights to develop 408 franchise studios, of which 34 were operating.

The Member is responsible for managing and overseeing the day-to-day operations of the Company. The Member allocates expenses to the Company based on shared services. Net loss and all items of the Company's income, gain, loss, deduction, or credit are allocated to the Member. The Company relies on resources from the Member to support operations and the Member has committed to continue to provide financial support to the Company for the Company's franchising operations as necessary.

The Company's operating agreement designates one class of membership interest, of which the Member owns one hundred percent of the interest.

**Basis of presentation** – The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

The Company has numerous transactions with its Member and affiliates. Accordingly, the financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the Company had operated without such affiliations. The significant related party transactions consist of allocations of expenses from the Member, borrowings from, and excess cash transfers to the Member and other related parties under common control of the Member or the Member's parent.

The financial statements have been prepared on a going concern basis. The Company relies on resources from the Member to support its operations. The Member has committed to continue to provide financial support to the Company for the Company's franchising operations as necessary. Based on management's projections, the Member may not meet the leverage ratio covenant requirement of its financing facility during the period twelve months from the issuance date of these financial statements, which would represent an event raising substantial doubt regarding the Company's ability to continue as a going concern. However, the Member plans to amend its debt financial covenant or obtain an equity contribution sufficient to cure any anticipated covenant violation. The Member has obtained a commitment from an investor to provide an equity contribution up to $10 million, which is allowed for in the debt agreement. The Member and the Company believe that these actions alleviate this matter to allow the Member to provide the financial support to the Company as necessary in order for the Company to continue as a going concern through twelve months from the issuance date of these financial statements.

**Use of estimates** – The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from these estimates under different assumptions or conditions.

**Note 2 – Summary of Significant Accounting Policies**

**Cash, cash equivalents and restricted cash** – The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

The Company has marketing fund restricted cash, which can only be used for activities that promote the Company's brand. There was no restricted cash at December 31, 2019 or 2018.

**Concentration of credit risk** – Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. At December 31, 2019 and 2018, the Company has cash and cash equivalents that total approximately $729,000 and $1,030,000, respectively, on deposit with high-credit quality financial institutions that exceed federally insured limits. The Company has not experienced any loss as a result of these or previous similar deposits. In addition, the Company closely monitors the extension of credit to its franchisees while maintaining allowances for potential credit losses.

**Accounts receivable and allowance for doubtful accounts** – Accounts receivable primarily consist of amounts due from franchisees and vendors. These receivables primarily relate to royalties, advertising contributions, equipment and product sales, training, vendor commissions and other miscellaneous charges. Receivables are unsecured; however, the franchise agreements provide the Company the right to withdraw funds from the franchisee's bank account or terminate the franchise for nonpayment. On a periodic basis, the Company evaluates its accounts receivable balance and establishes an allowance for doubtful accounts, based on a number of factors, including evidence of the customer's ability to comply with credit terms, economic conditions and historical receivables. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2019 and 2018, there was no allowance for doubtful accounts.

**Inventories –** Inventories are comprised of finished goods including equipment and branded merchandise primarily held for sale to franchisees. Cost is determined using the first-in-first-out method. Management analyzes obsolete, slow-moving and excess merchandise to determine adjustments that may be required to reduce the carrying value of such inventory to the lower of cost or net realizable value. Write-down of obsolete or slow-moving and excess inventory charges are included in costs of product revenue in the statements of operations.

**Property and equipment, net** – Property and equipment are carried at cost less accumulated depreciation. Depreciation is recognized on a straight-line method based on the estimated useful life of the assets.

The cost and accumulated depreciation of assets sold or retired are removed from the accounts and any gain or loss is included in the results of operations during the period of sale or disposal. Costs for repairs and maintenance are expensed as incurred. Repair and maintenance costs for the year ended December 31, 2019 and the period ended December 31, 2018 were insignificant.

**Goodwill and intangible assets** – Intangible assets consist of goodwill and identifiable intangible assets, which consist of trademarks and franchise agreements.

*Goodwill* – The Company tests for impairment of goodwill annually or sooner whenever events or circumstances indicate that goodwill might be impaired. The annual impairment test is performed as of the first day of the Company's fourth quarter. The impairment test is a two-step process, whereby in the first step, the Company compares the estimated fair value with the carrying amount, including goodwill. The Company generally determines the estimated fair value using a discounted cash flow approach, giving consideration to the market valuation approach. If the carrying amount exceeds the fair value, the Company performs the second step of the impairment test to determine the amount of impairment, if any. Based on the test results, no impairment was recorded for the year ended December 31, 2019 or the period ended December 31, 2018.

*Definite-lived intangible assets* – Intangible assets consisting of trademarks and franchise agreements are amortized using the straight-line method over ten years. Amortization expense related to intangible assets is included in depreciation and amortization expense. The recoverability of the carrying values of all intangible assets with finite lives is evaluated when events or changes in circumstances indicate an asset's value may be impaired. Impairment

testing is based on a review of forecasted undiscounted operating cash flows. If such analysis indicates that the carrying value of these assets is not recoverable, the carrying value of such assets is reduced to fair value, which is determined based on discounted future cash flows, through a charge to the statement of operations. No definite-lived intangible asset impairment was recorded for the year ended December 31, 2019 or the period ended December 31, 2018.

**Recently adopted accounting pronouncements** –
*Revenue recognition* – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" (ASC 606). This new standard provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services, which could potentially result in changes in the amount and timing of revenue recognition for certain transactions.

The Company adopted ASC 606 on January 1, 2019 using the full retrospective transition method. The financial statements reflect the application of ASC 606 beginning on July 6, 2018. The new pronouncement changed the way initial fees from franchisees for new franchise agreements are recognized. Under the previous revenue recognition guidance, initial franchise fees were recognized as revenue when a new studio opened. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights and services offered during the term of the franchise agreement and are therefore considered a single performance obligation together with the continuing rights and services. As such, initial fees received are recognized over the franchise term and any unamortized portion is recorded as deferred revenue in the Company's balance sheet. Similarly, the new pronouncement changed the way commissions paid for new franchise openings are recognized. Under previous guidance, commission expense was recognized when a new studio opens. In accordance with the new guidance, the commissions paid are recognized over the franchise term and any unamortized portion will be recorded as deferred costs in the Company's balance sheet. ASC 606 did not impact the Company's revenue recognition for other types of revenue.

As a result of the adoption of ASC 606 using the full retrospective transition method, the following adjustments were made to the Company's previously issued 2018 financial statements:

- Accounts receivable increased $166,000;
- Deferred costs, current portion decreased $315,147;
- Deferred costs, net of current portion increased $322,109;
- Deferred revenue, current portion decreased $704,150;
- Deferred revenue, net of current portion increased $873,977;
- Franchise revenue increased $5,773;
- Costs of service revenue increased $2,638;
- Net loss decreased $3,135.

**Revenue recognition** –The Company's contracts with customers consist of franchise agreements with franchisees. The Company also enters into agreements to sell merchandise and equipment, training, on-demand video services and membership to Company-owned studios. The Company's revenues primarily consist of franchise license revenues, other franchise related revenues including equipment and merchandise sales and training revenue. In addition, the Company earns service revenue and other revenue.

Each of the Company's primary sources of revenue and their respective revenue policies are discussed further below.

***Franchise revenue -***
The Company enters into franchise agreements for each franchised studio. The Company's performance obligation under the franchise license is granting certain rights to access the Company's intellectual property; all other services

the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for as a single performance obligation, which is satisfied over the term of each franchise agreement. Those services include initial development, operational training, preopening support and access to the Company's technology throughout the franchise term. Fees generated related to the franchise license include development fees, royalty fees, marketing fees, technology fees and transfer fees, which are discussed further below. Variable fees are not estimated at contract inception, and are recognized as revenue when invoiced, which occurs monthly. The Company has concluded that its agreements do not contain any financing components.

*Franchise development fee revenue* – The Company's franchise agreements typically operate under ten-year terms with the option to renew for up to two additional five-year successor terms. The Company determined the renewal options are neither qualitatively nor quantitatively material and do not represent a material right. Initial franchise fees are non-refundable and are typically collected upon signing of the franchise agreement. Initial franchise fees are recorded as deferred revenue when received and are recognized on a straight-line basis over the franchise life, which the Company has determined to be ten years, as the Company fulfills its promise to grant the franchisee the rights to access and benefit from the Company's intellectual property and to support and maintain the intellectual property.

The Company may enter into an area development agreement with certain franchisees. Area development agreements are for a territory in which a developer has agreed to develop and operate a certain number of franchise locations over a stipulated period of time. The related territory is unavailable to any other party and is no longer marketed to future franchisees by the Company. Depending on the number of studios purchased under franchise agreements or area development agreements, the initial franchise fee ranges from $60,000 (single studio) to $350,000 (ten studios) and is paid to the Company when a franchisee signs the area development agreement. Area development fees are initially recorded as deferred revenue. The development fees are allocated to the number of studios purchased under the development agreement. The revenue is recognized on a straight-line basis over the franchise life for each studio under the development agreement.

*Franchise royalty fee revenue* – Royalty revenue represents royalties earned from each of the franchised studios in accordance with the franchise disclosure document and the franchise agreement for use of the brands' names, processes and procedures. The royalty rate in the franchise agreement is typically 7% of the gross sales of each location operated by each franchisee. Royalties are billed on a monthly basis. The royalties are entirely related to the Company's performance obligation under the franchise agreement and are billed and recognized as franchisee sales occur.

*Technology fees* – The Company may provide access to third-party or other proprietary technology solutions to the franchisees for a fee. The technology solution may include various software licenses for statistical tracking, scheduling, allowing club members to record their personal workout statistics, music and technology support. The Company bills and recognizes the technology fee as earned each month as the technology solution service is performed.

*Training revenue* – The Company provides coach training services either through direct training of the coaches who are hired by franchisees or by providing the materials and curriculum directly to the franchisees who utilize the materials to train their hired coaches. Direct training fees are recognized over time as training is provided. Training fees for materials and curriculum are recognized at the point in time of delivery of the materials.

*Franchise marketing fund revenue*– Franchisees are required to pay marketing fees of 2% of their gross sales. The marketing fees are collected by the Company on a monthly basis and are to be used for the advertising, marketing, market research, product development, public relations programs and materials deemed appropriate to benefit brands. The Company's promise to provide the marketing services funded through the marketing fund is considered a component of the Company's performance obligation to grant the franchise license. The Company bills and recognizes marketing fund fees as revenue each month as gross sales occur.

***Equipment and merchandise revenue -***

The following revenues are generated as a result of transactions with or related to the Company's franchisees.

*Equipment revenue* – The Company sells authorized equipment to franchisees to be used in the franchised studios. Certain franchisees may prepay for equipment, and in that circumstance, the revenue is deferred until delivery. Equipment revenue is recognized when control of the equipment is transferred to the franchisee, which is at the point in time delivery and installation of the equipment at the studio is complete.

*Merchandise revenue* –The Company sells branded and non-branded merchandise to franchisees for retail sales to customers at studios. For branded merchandise sales, the performance obligation is satisfied at the point in time of shipment of the ordered branded merchandise to the franchisee. For such branded merchandise sales, the Company is the principal in the transaction as it controls the merchandise prior to it being delivered to the franchisee. The Company records branded merchandise revenue and related costs upon shipment on a gross basis. Customers have the right to return and/or receive credit for defective merchandise. Returns and credit for defective merchandise were not significant for the periods ended December 31, 2018 and 2019.

For certain non-branded merchandise sales, the Company earns a commission to facilitate the transaction between the franchisee and the supplier. For such non-branded merchandise sales, the Company is the agent in the transaction, facilitating the transaction between the franchisee and the supplier, as the Company does not obtain control of the non-branded merchandise during the order fulfillment process. The Company records non-branded merchandise commissions revenue at the time of shipment.

***Other revenue -***

*Service revenue* – For Company-owned studios, the Company's distinct performance obligation is to provide the fitness classes to the customer. The Company-owned studios sell memberships by individual class and by class packages. Revenue from the sale of classes and class packages for a specified number of classes are recognized over time as the customer attends and utilizes the classes. Revenues from the sale of class packages for an unlimited number of classes are recognized over time on a straight-line basis over the duration of the contract period.

Additionally, the Company earns commission income from certain of its franchisees' use of certain preferred vendors. In these arrangements, the Company is the agent as it is not primarily responsible for fulfilling the orders. Commissions are earned and recognized at the point in time the vendor ships the product to franchisees.

Sales taxes, value added taxes and other taxes that are collected in connection with revenue transactions are withheld and remitted to the respective taxing authorities. As such, these taxes are excluded from revenue. The Company elected to account for shipping and handling as activities to fulfill the promise to transfer the good. Therefore, shipping and handling fees that are billed to franchisees are recognized in revenue and the associated shipping and handling costs are recognized in cost of goods sold as soon as control of the goods transfers to the franchisee.

*Credit Losses* – The Company's accounts receivable is recorded at net realizable value, which includes an appropriate allowance for estimated credit losses. The estimate of credit losses is based upon historical bad debts, current receivable balances, age of receivable balances, the customer's financial condition and current economic trends, all of which are subject to change. Actual uncollected amounts have historically been consistent with the Company's expectations. The Company's payment terms on its receivables from franchisees are generally 30 days.

**Contract Balances -**

*Contract Liabilities* – Contract liabilities consist of deferred revenue resulting from franchise fees and development fees paid by franchisees, which are recognized over time on a straight-line basis over the franchise agreement term. Also included in the deferred revenue balance are nonrefundable prepayments for merchandise and equipment, as well as revenues for training, service revenue and on-demand fees for which the associated products or services have not yet been provided to the customer. The Company classifies these contract liabilities as either current deferred revenue or non-current deferred revenue in the balance sheet based on the anticipated timing of delivery. The following table reflects the change in contract liabilities for the periods ended December 31, 2019 and 2018:

| | Franchise Development Fees | Equipment and Other | Total |
|---|---|---|---|
| Balance at July 6, 2018 | $ — | $ — | $ — |
| Revenue recognized that was included in deferred revenue at the beginning of the period | — | — | — |
| Increase, excluding amounts recognized as revenue during the period | 1,917,727 | 338,716 | 2,256,443 |
| Balance at December 31, 2018 | 1,917,727 | 338,716 | 2,256,443 |
| Revenue recognized that was included in deferred revenue at the beginning of the year | (188,595) | (338,716) | (527,311) |
| Increase, excluding amounts recognized as revenue during the year | 14,012,704 | 1,255,359 | 15,268,063 |
| Balance at December 31, 2019 | $ 15,741,836 | $ 1,255,359 | $ 16,997,195 |

The following table illustrates estimated revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2019. The expected future recognition period for deferred franchise development fees related to unopened studios is based on management's best estimate of the beginning of the franchise license term for those studios. The Company elected to not disclose sales and usage-based royalties, marketing fees and any other variable consideration recognized on an "as invoiced" basis.

| Contract liabilities to be recognized in revenue in | Franchise Development Fees | Equipment and Other | Total |
|---|---|---|---|
| 2020 | $ 586,151 | $1,255,359 | $ 1,841,510 |
| 2021 | 1,025,617 | - | 1,025,617 |
| 2022 | 1,306,510 | - | 1,306,510 |
| 2023 | 1,519,848 | - | 1,519,848 |
| 2024 | 1,563,264 | - | 1,563,264 |
| Thereafter | 9,740,446 | - | 9,740,446 |
| | $15,741,836 | $1,255,359 | $16,997,195 |

The following table reflects the components of deferred revenue:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Franchise and area development fees | $ 15,741,836 | $ 1,917,727 |
| Equipment and other | 1,255,359 | 338,716 |
| Total deferred revenue | 16,997,195 | 2,256,443 |
| Non-current portion of deferred revenue | 15,155,685 | 1,868,077 |
| Current portion of deferred revenue | $ 1,841,510 | $ 388,366 |

*Contract Costs* – Contract costs consist of deferred commissions resulting from franchise and area development sales by third-party and affiliate brokers. The total commission charged by the broker is deferred at the point of a franchise sale. The commissions are evenly split among the number of studios purchased under the development agreement and begin to be amortized when a subsequent franchise agreement is executed. The commissions are recognized on a straight-line basis over the initial ten-year franchise agreement term to align with the recognition of the franchise agreement or area development fees. The Company classifies these deferred contract costs as either current deferred costs or non-current deferred costs in the balance sheet. The associated expense is classified within costs of franchise and service revenue in the statements of operations. At December 31, 2019 and 2018, there were approximately $366,000 and $30,000 of current deferred costs and approximately $9,350,000 and $923,000 in non-current deferred costs, respectively. The Company recognized approximately $438,000 and $3,000 in franchise sales

commissions expense for the periods ended December 31, 2019 and 2018, respectively. During the periods ended December 31, 2019 and 2018 the Company recorded $4,343,000 and $504,000, respectively, of deferred commission costs paid to affiliates of the Member, which are being recognized over the initial ten-year franchise agreement term.

**Shipping and Handling Fees** – Shipping and handling fees billed to customers are recorded in merchandise and equipment revenues. The costs associated with shipping goods to customers are included in costs of product revenue in the accompanying statements of operations.

**Costs of franchise and service revenue** – Costs of franchise and service revenue consists of commissions related to the signing of franchise agreements, travel and personnel expenses related to the on-site training provided to the franchisees, and expenses related to the purchase of the technology packages and the related monthly fees. Costs of franchise and service revenue excludes depreciation and amortization.

**Costs of product revenue** – Costs of product revenue consists of cost of equipment and merchandise and related freight charges. Costs of product revenue excludes depreciation and amortization.

**Advertising costs** – Advertising costs are expensed as incurred. Advertising costs are included in selling, general and administrative expense. For the periods ended December 31, 2019 and 2018, the Company had approximately $1,073,000 and $297,000, respectively, of advertising costs, including amounts spent in excess of marketing fund revenue.

**Selling, general and administrative expenses** – The Company's selling, general and administrative ("SG&A") expenses consist of sales and marketing expenses, employee-related expenses and Member-allocated SG&A expenses based on shared services primarily consisting of payroll, professional and legal fees, occupancy expenses, management fees, travel expenses, and convention expenses. Allocations are generally divided evenly across all franchisors owned by the Member, however in 2018, convention expenses were allocated based on the relative size of the franchisors owned by the Member. Total allocations of convention expenses were approximately $581,000 and $203,000 for the year ended December 31, 2019 and the period ended December 31, 2018, respectively. Total allocations of convention revenues were approximately $250,000 and $52,000 for the year ended December 31, 2019 and the period ended December 31, 2018, respectively.

**Marketing fund expenses** – Marketing fund expenses are recognized as incurred, and any marketing fund expenditures in excess of marketing fund revenue are reclassified as SG&A expenses in the accompanying statements of operations.

**Income taxes** – As a single member LLC, the Company is considered a disregarded entity and the results of its operations are filed with the Member's federal and state income tax returns. As such, the Company itself is typically not subject to an income tax liability as the taxable income or loss of the Company is passed through to the Member. Therefore, no liability for federal income taxes has been included in the financial statements. The Company accounts for uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740. ASC Topic 740 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and required disclosures. The Company does not have any uncertain tax positions. However, the Company is required to pay an annual gross receipts fee and tax for its operations in California.

**Comprehensive income** – The Company does not have any components of other comprehensive income recorded within its financial statements and, therefore does not separately present a statement of comprehensive income in its financial statements.

**Recently issued accounting pronouncements** –

*Accounting for leases* – In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This new topic, which supersedes Topic 840, "Leases," applies to all entities that enter into a contract that is or contains a lease, with some specified scope exemptions. This new standard requires lessees to evaluate whether a lease is a

finance lease using criteria similar to those a lessee uses under current accounting guidance to determine whether it has a capital lease. Leases that do not meet the criteria for classification as finance leases by a lessee are to be classified as operating leases.

Under the new standard, for each lease classified as an operating lease, lessees are required to recognize on the balance sheet: (i) a right-of-use ("ROU") asset representing the right to use the underlying asset for the lease term and (ii) a lease liability for the obligation to make lease payments over the lease term. Lessees can make an accounting policy election, by class of underlying asset, to not recognize ROU assets and lease liabilities for leases with a lease term of 12 months or less as long as the leases do not include options to purchase the underlying assets that the lessee is reasonably certain to exercise. This standard also requires an entity to disclose key information (both qualitative and quantitative) about the entity's leasing arrangements. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. Management is currently evaluating the impact of this new guidance on its financial statements.

In November 2019, the FASB issued ASU No. 2019-10, "Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)", which defers the effective date of ASU No. 2016-02 to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

*Goodwill* – In January 2017, the FASB issued ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350)." This ASU simplifies the subsequent measurement of goodwill. FASB eliminated the Step 2 analysis from the goodwill impairment test which is meant to reduce the cost and complexity of evaluating goodwill for impairment. The Company has yet to determine if this ASU will be material to its financial statements.

In November 2019, the FASB issued ASU No. 2019-10, "Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)", which defers the effective date of ASU No. 2017-04 to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

**Fair value measurements** – ASC 820, *Fair Value Measurements and Disclosures*, applies to all financial assets and financial liabilities that are measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a valuation hierarchy for disclosures of the inputs to valuations used to measure fair value.

This hierarchy prioritizes the inputs into three broad levels as follows:

***Level 1*** – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

***Level 2*** – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates and yield curves), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

***Level 3*** – Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable, accrued expenses and notes payable. The carrying amounts of these financial instruments are categorized within Level 1 of the fair value hierarchy due to the short-term nature of these balances and approximate their fair value due to their short maturities.

**Note 3 – Acquisition of Business**

The Company executed an asset purchase agreement with Yoga 6 Company, LLC (the "Seller") on July 31, 2018. The acquisition allows the Company to expand the Member's current fitness franchise portfolio to include a yoga concept available for franchising, as well as support the Company's growth into new states. The consideration paid for the acquisition included $3,000,000 of cash payments, 5,716.9 shares of the Member's Parent's Class A-1 shares totaling $1,534,588 and a $1,000,000 performance bonus payable (fair value of $879,000 at acquisition date) to the seller, once the 50th franchise studio is operating, which terminates fours year from the purchase date.

The transaction was accounted for as a business combination using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recorded at their respective fair value as of the date of the transaction. The following table summarizes the fair values of the assets acquired and liabilities assumed:

| | |
|---|---|
| Goodwill | $ 3,213,594 |
| Intangible assets | 2,200,000 |
| Total purchase price | $ 5,413,594 |

The consideration resulted in goodwill of $3,213,594, which consists largely of the synergies and economies of scale expected from combining the operations of the Company with the Member's franchise servicing operations. The fair values of the recognizable intangible assets are comprised of trademarks and franchise agreements. The fair value of trademarks was estimated by the relief from royalty method and are considered to have a ten-year life. The fair value of the franchise agreements was based on the excess earnings method and are considered to have an estimated useful life of ten years. Inputs used in the methodologies primarily included sales forecasts, projected future cash flows, royalty rate and discount rate commensurate with the risk involved.

Approximately $67,000 of expenses were incurred during the period ended December 31, 2018 as a result of the acquisition, which have been reflected in acquisition and transaction expenses in the statement of operations.

**Note 4 – Property and Equipment**

Property and equipment consisted of the following:

| | Estimated Useful Life | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Computers | 3 years | $ 12,709 | $ 3,764 |
| Less: accumulated depreciation | | (2,568) | (46) |
| Total property and equipment, net | | $ 10,141 | $ 3,718 |

Depreciation expense for the periods ended December 31, 2019 and 2018 was $22,541 and $46, respectively.

**Note 5 – Goodwill and Intangible Assets**

Goodwill represents the excess of cost over the fair value of identifiable net assets acquired related to the transaction described in Note 3. Goodwill is not amortized but is tested annually for impairment or more frequently if indicators of potential impairment exist.

Definite-lived intangible assets consisted of the following:

| | | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | Amortization Period | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Trademarks | 10 years | $ 500,000 | $ (70,833) | $ 429,167 | $ 500,000 | $ (20,833) | $ 479,167 |
| Franchise agreements | 10 years | 1,700,000 | (240,834) | 1,459,166 | 1,700,000 | (70,834) | 1,629,166 |
| Total | | $2,200,000 | $ (311,667) | $1,888,333 | $2,200,000 | $ (91,667) | $2,108,333 |

Amortization expense for the periods ended December 31, 2019 and 2018 was approximately $222,000 and $92,000, respectively.

The estimated amortization expense of intangible assets is as follows:

| Year ending December 31, | |
|---|---|
| 2020 | $ 220,000 |
| 2021 | 220,000 |
| 2022 | 220,000 |
| 2023 | 220,000 |
| 2024 | 220,000 |
| Thereafter | 788,333 |
| Total | $ 1,888,333 |

**Note 6 – Related Party Transactions**

Significant related party transactions consist of allocations of expenses from the Member, borrowings from, and excess cash transfers to the Member and other related parties under common control of the Member or the Member's parent. During the year ended December 31, 2019, the Company advanced net funds to the Member and recognized allocations of Member expenses, resulting in a net receivable of $2,974,171. The Company recorded a reduction to Member's equity of $2,974,171, as the Member has no plan to repay the receivable in the foreseeable future. In addition, the Member has a credit facility that requires collateral. All obligations under the Member's credit facility are secured by substantially all of the tangible and intangible assets of the Company.

Related party balances are as follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Related party receivables: | | |
| AKT Franchise, LLC | $ 41,897 | $ — |
| CycleBar Franchising, LLC | 1,350 | — |
| PB Franchising, LLC | 675 | — |
| Stretch Lab Franchise, LLC | 16,000 | — |
| Stride Franchise, LLC | 2,792 | — |
| Total related party receivables | $ 62,714 | $ — |
| Related party payables: | | |
| Member | $ — | $ 914,750 |
| Row House Franchise, LLC | 842 | 548 |
| Club Pilates Franchise, LLC | 11,035 | 165 |
| Total related party payables | $ 11,877 | $ 915,463 |

The Chief Executive Officer of the Company is the sole owner of Intensive Capital Inc. ("ICI"). ICI provides unsecured loans to the Company, which loans the funds to the franchisees to purchase a franchise territory or to setup a studio. During the period ended December 31, 2018, ICI provided the Company $49,500 for a loan to a franchisee. Prior to disbursement from the Company to the franchisee the loan was canceled, and the funds were returned to ICI. There was no interest recognized related to this transaction.

ICI also provides loans directly to franchisees. During the years ended December 31, 2019 and 2018, the Company made interest payments on these loans to ICI on behalf of the franchisees of approximately $13,000 and $0, respectively, which is included in SG&A expense in the accompanying statements of operations.

**Note 7 – Contingencies and Litigation**

The Company is subject to normal and routine litigation brought by former or current employees, customers, franchisees, vendors, landlords or others. The Company intends to defend itself in any such matters. The Company believes that the ultimate determination of liability in connection with legal claims pending against it, if any, will not have a material adverse effect on its business, the annual results of operations, liquidity or financial position; however, it is possible that the Company's business, results of operations, liquidity, or financial condition could be materially affected in a particular future reporting period by the unfavorable resolution of one or more matters or contingencies during such period.

In connection with the 2018 acquisition, the Company is obligated to make additional payments for purchase consideration if certain events occur. Payment of additional consideration is contingent on the Company reaching a milestone of opening a number of franchise studios before the fourth anniversary. The contingent liability is measured at estimated fair value using a weighted discounted cash flow analysis. These inputs include the probability of achievement, the projected payment date and the discount rate of 8.5% used to present value the projected cash flows. The Company recorded approximately $77,000 and $30,000 of additional contingent liability as interest expense for the periods ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the contingent consideration payable was approximately $989,000 and $909,000 and is included in accrued expenses and other liabilities, respectively, in the accompanying balance sheets.

**Note 8 – Subsequent Events**

The Company has evaluated subsequent events through April 27, 2020, which is the date its financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease ("COVID-19") a pandemic. In response to the pandemic, several states have required non-essential businesses to temporarily shut down. As of April 27, 2020, substantially all of the franchisee's studios have temporarily closed. The Company is providing video on demand and livestream options to its franchisees and their members at no charge during the temporary closures. The date at which the studios can reopen has not been specified by the applicable states. As of April 27, 2020, franchisees continue to collect membership fees from their active members and the Company has continued to collect the related royalties from the franchisees. Certain franchises members have elected to freeze their memberships until the studios reopen, or cancel their memberships, which could result in decreased revenue for franchisees and the Company.

The extent of COVID-19's effect on the Company's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict. Management is monitoring the potential effects of the health care related and economic conditions of COVID-19 on the Company including any decrease or slowdown in sales and openings of franchise studios, additional temporary closures of existing franchisee studios and financial distress for franchisees which could result in lower franchise fee and royalty revenues, decreased equipment and merchandise sales and declines in related cash flows. If the impact results in longer term closures of studios or lower cash flows, the Company may recognize material asset impairments or charges for uncollectible accounts receivable in future periods.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted to provide financial aid to families and businesses impacted by the COVID-19 pandemic. The Company plans to participate in the CARES Act and any other programs for which it is eligible. The Member continues to provide all administrative and similar support functions to the Company, has available credit facilities and existing cash and has committed to fund the Company's operations as may be necessary through at least April 30, 2021. Management currently estimates that the Company's cash flows, and support from the Member if required, would provide sufficient cash flows for at least twelve months after the issuance date of the Company's financial statements.

**Exhibit D**
**To Franchise Disclosure Document**

# STATEMENT OF PROSPECTIVE FRANCHISEE

**YOGA SIX FRANCHISE, LLC**
**STATEMENT OF PROSPECTIVE FRANCHISEE**

**[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting.]**

Since the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Yoga Six Franchise, LLC (also called the "Franchisor" or "Yoga Six") both have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on the statements I/we make in this document, I/we assure the Franchisor as follows:

**A. The following dates and information are true and correct**:

| | | |
|---|---|---|
| 1. | _____, 20___<br>**Initials** _____ | The date on which I/we received a Uniform Franchise Disclosure Document about a Franchise. |
| 2. | _____, 20___<br>**Initials** _____ | The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement, Development Agreement (if appropriate) and all other documents I/we later signed. |
| 3. | _____, 20___<br>**Initials** _____ | The earliest date on which I/we signed the Franchise Agreement, Development Agreement or any other binding document (not including any Letter or other Acknowledgment of Receipt.) |
| 4. | _____, 20___<br>**Initials** _____ | The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company. |

**B. Representations and Other Matters:**

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights-of-first-refusal or otherwise of any type (collectively, the "representations"), including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement, or any other written documents, have been made to or with me/us with respect to any matter (including, but not limited to, advertising, marketing, site location and/or development, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise) nor have I/we relied in any way on any such representations, except as expressly set forth in the Franchise Agreement, or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

_____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials: _____**

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which

stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by Franchisor, its affiliates or agents/representatives, nor have I/we relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

**Prospective Franchisee's Initials: _____**

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, the Prospective Franchisee obtaining any financing, the Prospective Franchisee's selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or the Prospective Franchisee fully performing any of the Prospective Franchisee's obligations, nor is the Prospective Franchisee relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement, Development Agreement (if and as appropriate) or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

_____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials: _____**

4. The individuals signing for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Uniform Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, Development Agreement (if and as appropriate), each written Addendum and any Personal Guarantees.

**Prospective Franchisee's Initials: _____**

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I/we obtain such independent professional advice. I/we have also been strongly advised by the Franchisor to discuss my/our proposed purchase of, or investment in, an Yoga Six Studio Franchise with existing Franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Yoga Six Studio Franchisees.

**Prospective Franchisee's Initials: _____**

6. I confirm that, as advised, I've spoken with past and/or existing Yoga Six Studio Franchisees, and that I made the decision as to which, and how many, Yoga Six Studio Franchisees to speak with.

**Prospective Franchisee's Initials: _____**

7. I/we understand that: entry into any business venture necessarily involves some unavoidable risk of loss or failure, the purchase of a Yoga Six Franchise (or any other) is a speculative investment, an investment beyond that outlined in the Disclosure Document may be required to succeed, there exists no guaranty against possible loss or failure in this or any other business and the most important factors in the success of any Yoga Six Franchise, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills.

**Prospective Franchisee's Initials: _____**

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will (a) **immediately** inform the President of Yoga Six Franchise, LLC (949-529-1880), and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

I/we understand and agree that the Franchisor does not furnish or endorse, or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, that such information (if any) not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein) is not reliable and that I/we have not relied on it, that no such results can be assured or estimated and that actual results will vary from unit to unit, franchise to franchise, and may vary significantly.

**Prospective Franchisee's Initials: _____**

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: _____

**PROSPECTIVE FRANCHISEE (Individual)**

_____
Signature

_____
Printed Name

_____
Signature

_____
Printed Name

**PROSPECTIVE FRANCHISEE (Corp., LLC or Partnership) [Must be accompanied by appropriate personal guarantee(s)]**

_____
Legal Name of Entity

a _____
State of incorporation, formation, etc.

By: _____
Name

_____
Signature

Title:_____

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**Exhibit E**
**To Franchise Disclosure Document**

# TABLE OF CONTENTS OF THE OPERATIONS MANUAL

# TABLE OF CONTENTS

**Chapter 1: General Information ..... 1**

**1. The Purpose of the Manual ..... 2**
**2. How to Use This Manual ..... 3**
**3. The Yoga Six Story ..... 5**
3.1. The Brand ..... 5
3.2. The Yoga Six Brand Goal ..... 5
**4. Yoga Six 10 Commandments ..... 7**

**Chapter 2: The Franchise Relationship ..... 1**

**1. The Franchisee/Franchisor Relationship ..... 2**
1.1. Independent Contractor ..... 2
1.2. Independently Owned and Operated ..... 2
1.3. You Are CEO of This Business ..... 3
**2. Our Responsibilities ..... 4**
2.1. Pre-opening Obligations ..... 4
2.2. Continuing Obligations ..... 4
**3. Your Obligations ..... 6**
3.1. Participation in the Business ..... 6
3.2. Compliance ..... 6
*3.2.1. Yoga Six Standards ..... 6*
*3.2.2. Compliance with the Law ..... 7*
*3.2.3. Products & Services ..... 7*
*3.2.4. Payment of Fees and Taxes ..... 7*
*3.2.5. Taxes ..... 8*
3.3. Confidentiality ..... 8
3.4. Site Development ..... 8
*3.4.1. Premises ..... 8*
*3.4.2. Opening ..... 8*
*3.4.3. Computers, Software and Technology ..... 9*
3.5. Training ..... 9
3.6. Use of Marks and Proprietary Information ..... 9
3.7. Insurance ..... 9
3.8. Approved Products & Services ..... 12
3.9. Approved Vendors ..... 12
3.10. Variances ..... 12
*3.10.1. How to Request a Variance ..... 13*
*3.10.2. Requesting New Products and Items ..... 13*
3.11. Books, Records & Reports ..... 14
3.12. Audits & Inspections ..... 14
*3.12.1. Financial Audits ..... 15*
**4. Establishing Your Business Entity ..... 17**
4.1. Naming and Identification ..... 17
*4.1.1. Correct Use of the Name ..... 17*
*4.1.2. Sample Business Names ..... 18*
*4.1.3. Governing Documents ..... 18*
4.2. Tax Identification Numbers ..... 18
**5. Transfer Your Franchise Agreement ..... 20**
5.1. Initial Assignment ..... 20
*5.1.1. Process ..... 21*
5.2. Change in Ownership ..... 21
*5.2.1. Process ..... 22*
5.3. Transfers ..... 23
*5.3.1. Death or Disability ..... 23*
*5.3.2. Process ..... 24*

**Chapter 3: Franchise Requirements ..... 1**

**1. The Franchisee/Franchisor Relationship ..... 2**
1.1. Independent Contractor ..... 2
1.2. Independently Licensed and Operated ..... 2
1.3. You Are CEO of This Business ..... 2
1.4. Pricing and Price Fixing ..... 3

**Chapter 4: Operational Standards ..... 1**

**1. The Importance of Standards ..... 2**
1.1. Objectivity and Measurement ..... 2
1.2. Measurement Process ..... 2
**2. The Standards ..... 4**
2.1. Hours of Operations ..... 4
2.2. Holiday Hours ..... 4
2.3. Signs and Marketing ..... 4
2.4. Memberships, Gift Cards & Reciprocity ..... 5
2.5. Holiday Décor ..... 5
2.6. Music ..... 5
2.7. Workplace Attire ..... 5
2.8. Personal Hygiene and Appearance ..... 6
2.9. Behavior Standards ..... 7
2.10. Client Service Standards ..... 7
2.11. Class Standards ..... 7
2.12. Training Classes ..... 7
*2.12.1. Yoga Six Teacher Training Program ..... 7*
*2.12.2. Bridge Training ..... 7*
*2.12.3. Video Topics ..... 7*
*2.12.4. In-studio Practicals ..... 7*

**Chapter 5: Personnel ..... 1**

**1. Overview and Disclaimer ..... 2**
**2. Laws and Requirements ..... 3**
2.1. @ Our Franchise ..... 3
**3. Job Descriptions ..... 4**
3.1. Elements of a Job Description ..... 4
3.2. Suggested Yoga Six Job Descriptions ..... 5
*3.2.1. General Manager ..... 5*
3.2.1.1. Responsibilities ..... 5
3.2.1.2. Skills ..... 6
*3.2.2. Instructor ..... 7*
3.2.2.1. Responsibilities ..... 7
3.2.2.2. Skills ..... 7
*3.2.3. Sales Representative ..... 8*
3.2.3.1. Responsibilities ..... 8
3.2.3.2. Skills ..... 8
**4. Lead Sources for Hiring ..... 9**
**5. Yoga Six Support Calls ..... 10**

**Chapter 6: Studio Operations Best Practices ..... 1**

**1. Overview ..... 2**
**2. Yoga Classes ..... 3**
2.1. Class Standards ..... 3
2.2. Signature Classes ..... 4
*2.2.1. Yoga Six Intro Class ..... 4*
*2.2.2. Yoga Six Reformer Flow ..... 4*
*2.2.3. Yoga Six F.I.T. ..... 4*
*2.2.4. Yoga Six Cardio Sculpt ..... 4*
*2.2.5. Yoga Six Center + Balance ..... 4*
*2.2.6. Yoga Six Control ..... 4*
*2.2.7. Yoga Six Restore ..... 4*

*2.2.8. Yoga Six Suspend ..... 4*
*2.2.9. Yoga Six Teen ..... 4*
2.3. Class Levels ..... 4
*2.3.1. Level 1 – Foundation ..... 4*
*2.3.2. Level 1.5 Progression ..... 4*
*2.3.3. Level 2 – Evolution ..... 4*
*2.3.4. Level2.5 – Mastery ..... 4*
2.4. Creating a Class Schedule ..... 4
**3. Demo Class ..... 5**
3.1. Before Class ..... 5
3.2. During Class ..... 5
**4. Private Training ..... 6**
4.1. Postural Assessment ..... 6
*4.1.1. Syndromes & Solutions ..... 6*
**5. Attire & Retail ..... 7**
**6. The Client ..... 8**
6.1. Client Needs and Goals ..... 8
6.2. Client Relations ..... 8
6.3. Client Satisfaction ..... 8
*6.3.1. Instructors and Clients in Studio ..... 8*
*6.3.2. Instructors and Teacher-in-Training Students ..... 8*
*6.3.3. Client Service Emails ..... 8*
*6.3.4. Emails From Unhappy Clients ..... 8*
*6.3.5. Instructor Praise ..... 8*
*6.3.6. Late Cancellations ..... 8*
6.4. Handling Dissatisfied Clients ..... 8
*6.4.1. Listen and Understand ..... 8*
*6.4.2. Ask for a Suggestion ..... 9*
*6.4.3. Offer a Solution ..... 9*
*6.4.4. Get Agreement ..... 9*
*6.4.5. Deliver on the Promise ..... 9*
*6.4.6. Follow Up ..... 10*
*6.4.7. Difficult Clients ..... 10*
**7. Retail ..... 11**
7.1. Approved Products ..... 11
7.2. How to Order ..... 11
*7.2.1. Pre-Sale Orders ..... 11*
*7.2.2. Re-orders ..... 11*
7.3. Return Policy ..... 11
7.4. Merchandising and Display ..... 11
**8. Daily Activities ..... 12**
8.1. Voicemail ..... 12
8.2. Shift Notes and Changes ..... 12
8.3. Closing Procedures ..... 12
**9. Club Ready ..... 13**

**Chapter 7: Sales ..... 1**

**1. The Client ..... 2**
**2. Competition ..... 3**
2.1. Who Is the Competition ..... 3
2.2. Understanding Your Market ..... 3
*2.2.1. Competitive Analysis ..... 4*
2.3. Secret Shopping ..... 4
**3. Membership Rates ..... 5**
3.1. Tiers ..... 5
3.2. Additional Fees ..... 5
**4. Private Training ..... 6**
**5. Pre-Sale ..... 7**
*5.1.1. Expectations ..... 7*
*5.1.2. Pricing Specials ..... 7*
*5.1.3. Membership Process ..... 7*
5.2. Corporate Membership Process ..... 7

5.3. Global Fit ..... 7
5.4. Memberships Programs ..... 7
*5.4.1. Private Lessons* ..... *7*
*5.4.2. Bump Club & Beyond* ..... *7*
*5.4.3. Costco* ..... *7*
*5.4.4. Class Pass* ..... *7*
*5.4.5. Groupon/Living Social* ..... *7*
*5.4.6. Thread Nation* ..... *7*
5.5. Waitlist ..... 7
5.6. All Access ..... 7
*5.6.1. Transfer* ..... *7*
**6. Objections ..... 8**
6.1. Price ..... 8
6.2. Have to Think About It ..... 8
6.3. Talk to My Spouse/Partner ..... 8
6.4. I Can Do It On My Own ..... 8
**7. Sign Them Up ..... 9**
**8. Turnover ..... 10**
**9. Sales Management Best Practices ..... 11**
**10. Sales Tools ..... 12**
10.1. Sales Flow ..... 12
10.2. Scripts ..... 12
10.3. Overcoming Objections ..... 12
10.4. Retention ..... 12
10.5. Demo Class ..... 12
**11. Sales Time Line ..... 13**

**Chapter 8: Crisis Management ..... 1**

**1. Defining a Crisis ..... 2**
**2. Crisis Communication ..... 3**
2.1. First Responders ..... 4
2.2. Spokesperson ..... 4
2.3. Client Liaison ..... 5
2.4. Documentation Specialist ..... 5
2.5. Dealing with the Press ..... 6
*2.5.1. Who May Talk to the Public* ..... *6*
*2.5.2. What Not To Say* ..... *6*

**Chapter 9: Studio Administration ..... 1**

**1. Key Performance Indicators and Profitability ..... 2**
1.1. Sales ..... 2
*1.1.1. Gross Sales* ..... *2*
*1.1.2. Client Volume* ..... *2*
*1.1.3. Private Training* ..... *3*
*1.1.4. Retail* ..... *3*
1.2. Costs ..... 3
*1.2.1. Labor Costs* ..... *3*
*1.2.2. COGS (Cost of Goods Sold)* ..... *3*
*1.2.3. Marketing* ..... *3*
**2. Managing the Numbers ..... 4**
2.1. Reports ..... 4
*2.1.1. Daily* ..... *4*
*2.1.2. Weekly* ..... *4*
*2.1.3. Monthly* ..... *5*
**3. Inventory Control ..... 6**
**4. Risk Management ..... 7**
4.1. Crime ..... 7
4.2. Cash on Hand ..... 8
4.3. Security Cameras ..... 8
4.4. Locked Doors ..... 8

4.5. General Safety....8
4.5.1. Spills and Water....8
4.5.2. Lifting....9
4.5.3. Fire and Earthquake Safety....9
4.5.4. Emergency Care....10
4.5.5. Incident Reports....10
**5. Data Security....11**

**Exhibit F**
**To Franchise Disclosure Document**

**SAMPLE RELEASE AGREEMENT**

**GENERAL RELEASE OF ALL CLAIMS**

_____ **(FRANCHISEE**") and **_____, an individual** ("**GUARANTOR**") enter into this General Release on _____, with reference to the following facts:

1. On **_____, Yoga Six Franchise, LLC,** a Delaware limited liability company ("**FRANCHISOR**"), and FRANCHISEE entered into a Franchise Agreement (the "**Franchise Agreement**") to operate a Yoga Six Franchised Business located at _____ (the "**Premises**"). GUARANTOR guaranteed FRANCHISEE's performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the "Guarantee"). In consideration of FRANCHISOR'S processing and approval of _____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such _____. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, FRANCHISEE and GUARANTOR hereby release and forever discharge FRANCHISOR, its parents and subsidiaries and the directors, officers, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown (collectively "Damages"), which arose on or before the date of this General Release, including any Damages with respect to the Franchise Agreement, the Franchised Business, the Premises and the Guarantee. FRANCHISEE waives any right or benefit which FRANCHISEE or GUARANTOR may have under Section 1542 of the California Civil Code or any equivalent law or statute of any other state. Section 1542 of the California Civil Code reads as follows:

> "Section 1542. Certain claims not affected by general release. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing this release, which if know by him must have materially affected his settlement with the debtor."

3. This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled.

4. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the day and year set forth above.

**FRANCHISEE**:

By: _____

Print Name: _____

Title: _____

**GUARANTOR:**

_____, an individual

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**Exhibit G**
**To Franchise Disclosure Document**

**STATE SPECIFIC ADDENDA**

## ADDITIONAL STATE DISCLOSURES

If the franchise is located in or if franchisee is a resident of any of the following states, then the designated provisions in the Franchise Disclosure Document ("Disclosure Document") and Franchise Agreement will be amended as follows:

## CALIFORNIA

### ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

1. The following language is added to the end of Item 3 of the Disclosure Document:

   Neither Yoga Six Franchise, LLC, nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

   The Franchise Agreement requires franchisee to execute 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.

   California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

   The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

   The Franchise Agreement requires application of the laws of the state where the business is located. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California, with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

3. The following language is added to the end of Item 5 of this Disclosure Document:

Please be advised that Franchisor has obtained a surety bond in the amount of $840,000 to demonstrate Franchisor's financial capability to fulfill its pre-opening obligations to franchisees under the Franchise Agreement that are subject to the jurisdiction of the California Franchise Investment Law.

## HAWAII

### ADDENDUM TO DISCLOSURE DOCUMENT

These franchises will be/ have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with an copy of all proposed agreements relating to the sale of the franchise.

This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

## ILLINOIS

## ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law governs the Franchise Agreement(s)

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

## ILLINOIS

### AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

**The Franchise Agreement and Development Agreement are specifically amended as follows:**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement ("**Agreement**") agree as follows:

Illinois law governs the Franchise Agreement(s)

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

| | |
|---|---|
| Yoga Six Franchise, LLC | Franchisee:_____ |
| By: _____ | By: _____ |
| Title:_____ | Title: _____ |

## MARYLAND

## ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(c) entitled **Requirements for renewal or extension of term**, and the "**Summary**" section of Item 17(m) entitled **Conditions for franchisor approval of transfer**, are amended by adding the following:

> Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The "**Summary**" section of Item 17(h) entitled **"Cause" defined – non-curable defaults**, is amended by adding the following:

> The Franchise Agreement provides for termination upon your 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.

3. The following are added to the end of the chart in Item 17:

> Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following is added to the end of Item 5:

> The Maryland Securities Commissioner has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of $135,000, and that bond is on file with the Maryland Securities Division. If we fail to strictly comply with all applicable provisions of, and all orders, rules, and regulations issued pursuant to, the Maryland Franchise Registration and Disclosure Law, we may become liable for the payment of the bond sum to the State of Maryland for the use and benefit of any person(s) that have a claim under the conditions of the bond obligation.

## MARYLAND

### AMENDMENT TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

**The Franchise Agreement and Area Development Agreement are specifically amended as follows:**

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

The Maryland Securities Commissioner has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of $135,000, and that bond is on file with the Maryland Securities Division. If we fail to strictly comply with all applicable provisions of, and all orders, rules, and regulations issued pursuant to, the Maryland Franchise Registration and Disclosure Law, we may become liable for the payment of the bond sum to the State of Maryland for the use and benefit of any person(s) that have a claim under the conditions of the bond obligation.

Section 16.12 shall be supplemented by the following additional language:

> PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise 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.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

| | |
|---|---|
| Yoga Six Franchise, LLC | Franchisee:_____ |
| By: _____ | By: _____ |
| Title:_____ | Title: _____ |

## MARYLAND

## AMENDMENT TO DISCLOSURE QUESTIONNAIRE

**The Franchisee Disclosure Questionnaire is specifically amended as follows:**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (as amended), Md. Code Bus. Reg. Sections 14-201 through 14-233, the following paragraph is added to the Franchisee Disclosure Questionnaire:

> Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this questionnaire 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.

_____
Name of Franchisee/Applicant

Date: _____

_____
Signature

_____
Name and Title of Person Signing

## MICHIGAN

## ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

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

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

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 this 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. The 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:

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

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

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

4) 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 a provision has been made for providing the required contractual services.

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00 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.

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

Any questions regarding this notice should be direct to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, MI 48933
(517) 373-1160

**Note:** Despite paragraph F above, we intend to enforce fully the provisions of the arbitration section contained in the Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce this section as well.

## MINNESOTA

## ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **Trademarks** is amended by adding the following:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **Renewal, Termination, Transfer and Dispute Resolution** is amended by adding the following:

   A. **Renewal and Termination**
   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 for non-renewal of the Agreement.

   B. **Choice of Forum**
   Nothing in the Disclosure Document or 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.

   C. **Releases**
   A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.22.

These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

## MINNESOTA

## AMENDMENT TO FRANCHISE AGREEMENT

**The Franchise Agreement is specifically amended as follows:**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement ("Agreement") agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

The franchisee cannot consent to franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. *See* Minn. Rule 2860.4400J. A court will determine if a bond is required.

Nothing in the Disclosure Document or 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 claims brought pursuant to the Minnesota Franchises Act, § 80.C.01 et seq. must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

| | |
|---|---|
| Yoga Six Franchise, LLC | Franchisee:_____ |
| By: _____ | By: _____ |
| Title:_____ | Title: _____ |

## NEW YORK

## ADDENDUM TO DISCLOSURE DOCUMENT

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 predecessor, 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, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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 franchisees 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, antifraud, 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 a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such

association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner 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), titled "**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), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and 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), titled "**Choice of forum"**, and Item 17(w), titled "**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.

## NORTH DAKOTA

## ADDENDUM TO DISCLOSURE DOCUMENT

1. The following language is added to the "Summary" section of Item 17(c) entitled **Requirements for renewal or extension** and Item 17(m) entitled **Conditions for franchisor approval of a transfer**:

> The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The applicable portion of the "Summary" section of Item 17(i) entitled **Franchisee's obligations on termination/non-renewal** is amended to read as follows:

> If we prevail in any enforcement action you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement

3. The following is added to the "Summary" section of Item 17(u) entitled **Dispute resolution by arbitration or mediation**:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

4. The following is added to the "Summary" section of Item 17(r) entitled **Non-competition covenants after the franchise is terminated or expires**:

> Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

5. The following is added to the "Summary" section of Item 17(v) entitled **Choice of forum**:

> However, to the extent allowed by the North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

6. The "Summary" section Item 17(w) entitled **Choice of law** is deleted and replaced with the following:

> North Dakota law applies.

## NORTH DAKOTA

### AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

1. The following is added to Section 3.2 of the Franchise Agreement, **"RENEWAL"** and Section 14 of the Franchise Agreement "**TRANSFER OF INTEREST**":

   > The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The following is added to Section 16.6 of the Franchise Agreement, "**CHOICE OF FORUM**" and Section 22 of the Development Agreement:

   > However, to the extent allowed by the North Dakota Franchise Investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.
   >
   > Franchisor acknowledges that pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, all provisions in the Disclosure Document requiring Franchisee to consent to the jurisdiction of courts outside of North Dakota are hereby void.

3. The following is added to Section 16.4 of the Franchise Agreement, "**MANDATORY BINDING ARBITRATION"** and Section 22(B) of the Development Agreement:

   > To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration and/or mediation will be at a site not remote from Franchisee's place of business, to which Franchisor and Franchisee mutually agree.

4. Section 18 of the Franchise Agreement, "**ACKNOWLEDGMENTS**" is amended by the addition of the following language to the original language that appears therein to read as follows:

   > Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

5. Section 13.1 of the Franchise Agreement and Section 11 of the Development Agreement (regarding post-term restrictions) are amended by the addition of the following language to the original language that appears therein:

   > Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

3. Section 16 of the Franchise Agreement and Section 21 of the Development Agreement are hereby amended to provide that North Dakota law governs the agreements between the parties to this franchise. Further, Section 16.1 of the Franchise Agreement, "**GOVERNING LAW**" is deleted in its entirety and replaced with the following:

   > EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), THE FEDERAL ARBITRATION ACT, OR OTHER FEDERAL LAW, THIS AGREEMENT

AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF NORTH DAKOTA.

4. Section 16.8 of the Franchise Agreement and Section 22(J) of the Development Agreement requiring waiver of jury trial, and Section 16.7 of the Franchise Agreement and Section 22(I) of the Development Agreement requiring waiver of exemplary and punitive damages, are hereby deleted in their entirety.

5. Section 16.12 of the Franchise Agreement and Section 22(H) of the Development Agreement shall be supplemented by the following additional language:

> Provided, however, that this limitation of claims shall not act to reduce the applicable statute of limitations afforded franchisee for bringing a claim under the applicable laws of North Dakota.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Yoga Six Franchise, LLC

By: _____

Title: _____

Franchisee: _____

By: _____

Title: _____

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## RHODE ISLAND

## ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) entitled **Choice of forum**:

, except as otherwise required by the Rhode Island Franchise Investment Act

## RHODE ISLAND

## AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 16.6, "**CHOICE OF FORUM"** is amended by adding the following:

> §19-24.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

| | |
|---|---|
| Yoga Six Franchise, LLC | Franchisee:_____ |
| By: _____ | By: _____ |
| Title: _____ | Title: _____ |

## VIRGINIA

## ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Yoga Six Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 17.h:

> "Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

## WASHINGTON

## ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act (RCW 19.100.180), the Franchise Disclosure Document is revised as follows:

The following paragraphs are added at the end of Item 17:

> 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 mediation, arbitration, or litigation involving a franchise purchased in Washington, the site thereof 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 mediator, arbitrator, or judge, as applicable.
>
> 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 following sentence is added to the "Remarks" column of the Item 6 chart for the fee titled "Indemnification":

> All indemnification obligations will be subject to the applicable laws of the state of Washington.

The following sentence is added to the end of the first paragraph in Item 11, Section F titled "Computer Hardware – Hardware and Software":

> As a result of Franchisor's independent access to your computer system, there may be an increased risk of disclosure of your sensitive client/customer, employee, or company information resulting from cyber security events and/or data breaches.

The **"Summary"** section of Item 17(c) entitled **Requirements for renewal or extension of term** is amended by adding the following:

> Any general release you sign shall not apply to the extent prohibited by applicable Washington state law.

The **"Summary"** section of Item 17(d) entitled **Termination by franchisee** is amended by adding the following:

> Franchisee may terminate the franchise agreement under any grounds permitted by applicable Washington state law.

The **"Summary"** section of Item 17(o) entitled **Franchisor's option to purchase franchisee's business** is amended by adding the following:

> Pursuant to RCW 19.100.180(2)(i) and (j), Franchisor may be required to: (i) compensate franchisee for the fair market value of the franchise upon expiration in the event Franchisor refuses to renew the franchise; and (ii) purchase from franchisee at fair market value certain of franchisee's inventory and supplies required by law. To the extent required by law, RCW 19.100.180(2)(i) and (j) will supersede contrary terms in the Franchise Agreement.

The Washington Department of Financial Institutions has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of $100,000, and that bond is on file with the Washington Department of Financial Institutions. If we fail to strictly comply with all applicable provisions of, and all orders, rules, and regulations issued pursuant to, the Washington Franchise Registration and Disclosure Law, we may become liable for the payment of the bond sum to the State of Washington for the use and benefit of any person(s) that have a claim under the conditions of the bond obligation.

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## WASHINGTON

### AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act (RCW 19.100.180), the parties to the attached Franchise Agreement and/or Development Agreement agree as follows:

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 mediation, arbitration, or litigation involving a franchise purchased in Washington, the site thereof 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 mediator, arbitrator, or judge, as applicable.

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 Washington Department of Financial Institutions has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of $100,000, and that bond is on file with the Washington Department of Financial Institutions. If we fail to strictly comply with all applicable provisions of, and all orders, rules, and regulations issued pursuant to, the Washington Franchise Registration and Disclosure Law, we may become liable for the payment of the bond sum to the State of Washington for the use and benefit of any person(s) that have a claim under the conditions of the bond obligation.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

| | |
|---|---|
| Yoga Six Franchise, LLC | Franchisee:_____ |
| By: _____ | By: _____ |
| Title: _____ | Title: _____ |

**Exhibit H**
**To Franchise Disclosure Document**

## LIST OF FRANCHISEES

### A. FRANCHISEES WITH OPEN AND OPERATING STUDIOS AS OF DECEMBER 31, 2019

| Studio | Franchisee | Address | City | State | Zip | Telephone Number |
|---|---|---|---|---|---|---|
| Y6 Gainey Village | Mike Heidorn | 8777 N. Scottsdale Rd, Suite 307 | Scottsdale | AZ | 85253 | (480) 508-1293 |
| Y6 Carlsbad | Bill Koman/Peter Barbaresi | 1905 Calle Barcelona, Suite 238 | Carlsbad | CA | 92009 | (760) 274-6332 |
| Y6 Point Loma | Bill Koman/Peter Barbaresi | 2850 Womble Rd., Suite 101 | San Diego | CA | 92106 | (619) 955-6668 |
| Y6 Solana Beach | Bill Koman/Peter Barbaresi | 437 South Highway 101, Suite 401 | Solana Beach | CA | 92075 | (858) 345-1810 |
| Y6 4S Ranch | Bill Koman/Peter Barbaresi | 16625 Dove Canyon Rd. | San Diego | CA | 92127 | (858) 451-9642 |
| Y6 Carmel Valley | Bill Koman/Peter Barbaresi | 4639 Carmel Mountain Rd. Suite 102 | San Diego | CA | 92130 | (858) 461-0980 |
| Y6 Yorba Linda | Bill Koman/Peter Barbaresi | 4889 Valencia Ave. | Yorba Linda | CA | 92886 | (657) 363-4710 |
| Y6 La Jollla | Bill Koman/Peter Barbaresi | 8657 Villa La Jolla Dr. Suite 121 | La Jolla | CA | 92037 | (858) 886-7047 |
| Y6 Bressi Ranch | Bill Koman/Peter Barbaresi | 2628 Gateway Road Bldg. E Suite 130 | Carlsbad | CA | 92009 | (760) 456-9951 |
| Y6 Bakersfield | Mirko Marrone | 9000 Ming Avenue, Suite L6 | Bakersfield | CA | 93311 | (661) 491-2666 |
| Y6 North Carlsbad | Bill Koman/Peter Barbaresi | 1850 Marron Rd. Ste. 106 | Carlsbad | CA | 92008 | (858) 247-7727 |
| Y6 Redondon Beach | KLW | 403 N Pacific Coast Hwy #200 | Redondo Beach | CA | 90277 | (424) 230-8181 |
| Y6 Irvine | KLW | 14439 Culver Drive | Irvine | CA | 92606 | (949) 216-6171 |
| Y6 Campbell | Ajnavi Kumar | 1777 S Bascom Ave. | Campbell | CA | 95008 | (408) 306-0106 |
| Y6 Clermont | Kerry Cookson | 2305 South Hwy 27 | Clermont | FL | 34711 | (352) 404-9483 |
| Y6 West Des Moines | Taryn Henderson | 140 Jordan Creek ParkwaySuite 130 | West Des Moines | IA | 50266 | 515-221-1171 |
| Y6 Boise | Brandy | 2122 S. Broadway Ave. | Boise | ID | 83706 | (208) 971-0238 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| | Mamizuka | | | | | |
| Y6 North Meridian | Brandy Mamizuka | 6360 N. Saguaro Hills Ave. | Meridian | ID | 83646 | (208) 971-0238 |
| Y6 South Meridian | Brandy Mamizuka | 3055 E. Fairview Ave., Unit 210 | Meridian | ID | 83542 | (208) 971-0238 |
| Y6 Nampa | Brandy Mamizuka | 1214 N. Galleria Dr. | Nampa | ID | 83687 | (208) 971-0238 |
| Y6 Garden City | Brandy Mamizuka | 5655 N Glenwood St. Unit 100 | Garden City | ID | 83714 | (208) 971-0238 |
| Y6 Lincoln Park | Bill Koman/Peter Barbaresi | 2105 N Southport Ave Suite 200 | Chicago | IL | 60614 | (773) 270-5562 |
| Y6 South Loop | Bill Koman/Peter Barbaresi | 1136 S Delano Ct Suite E-204 | Chicago | IL | 60605 | (312) 583-0161 |
| Y6 Gold Coast | Bill Koman/Peter Barbaresi | 1150 N State St | Chicago | IL | 60610 | (312) 643-0693 |
| Y6 Wilmette | Chris Rossi | 1515 Sheridan Rd | Wilmette | IL | 60091 | chris.rossi@yogasix.com |
| Y6 Maple Grove | Michelle Boss | 8082 North Wedgewood Lane N | Maple Grove | MN | 55369 | michelle.boss@yogasix.com |
| Y6 Nokomis | Andrew & Kristin Davis | 1624 66th Street E | Richfield | MN | 55416 | andrew.davis@yogasix.com |
| Y6 St. Louis | Bill Koman/Peter Barbaresi | 5724 Oakland Ave. | St. Louis | MO | 63110 | (314) 802-7447 |
| Y6 Des Peres | Bill Koman/Peter Barbaresi | 12360 Manchester Rd., Suite 206 | St. Louis | MO | 63131 | (314) 827-1878 |
| Y6 St. Charles | Bill Koman/Peter Barbaresi | 1650 Beale St. Suite 115 | St. Charles | MO | 63303 | (636) 410-8498 |
| Y6 Creve Couer | Bill Koman/Peter Barbaresi | 11641 Olive Blvd | Creve Coeur | MO | 63414 | (314) 455-4668 |
| Y6 Academy | Bill Koman/Peter Barbaresi | 5901 Wyoming Blvd. NE Suite P7 | Albuqurque | NM | 87109 | (505) 303-0744 |
| Y6 Upper Arlington | Bill Koman/Peter Barbaresi | 1600 W Lane Ave | Upper Arlington | OH | 43221 | (614) 826-1491 |
| Y6 Milwaukee | Bill Koman/Peter Barbaresi | 2227 N Prospect Ave | Milwaukee | WI | 53202 | (414) 800-7550 |

## B. FRANCHISEES THAT SIGNED FRANCHISE AGREEMENTS BUT DID NOT YET OPEN A FRANCHISED STUDIO AS OF DECEMBER 31, 2019

| Franchise | Address | Telephone/Email | Development Rights? |
|---|---|---|---|
| Abby Nebughr | 15155 S Briar Crest Ct, Draper, UT 84020 | Abby.nebugh@yogasix.com | Yes |
| Ajnavi Kumar | 585 Sobrato Drive, Campbell, CA 95008 | ajnavi.kumar@yogasix.com | Yes |
| Akash Chandarana | 4737 Woodridge Rd, Minnetonka, MN 55345 | akash.chandarana@yogasix.com | Yes |
| Al Cavagnero | 160 Las Banderas Drive, Solana Beach, CA 92075 | al.cavagnero@yogasix.com | Yes |
| Alexis Brausa | 3901 Cotton Gin Road, Frisco, TX 75034 | alexis.brausa@yogasix.com | Yes |
| Ali Alamir and Neda Dorafshani | 10731 Gothic Ave, Granada Hills, CA 91344 | ali.alamir@yogasix.com | Yes |
| Amir & Lubna Khan | 407 Congress Street, New Milford, NJ 07646 | amir.khan@yogasix.com | No |
| Amy and Frank Sewall | 6704 NW Grand Blvd, Oklahoma City, OK 73116 | amy.sewell@yogasix.com | Yes |
| Andrew & Kristin Davis | 4401 Little Street, Edina, MN 55416 | andrew.davis@yogasix.com | Yes |
| Andrew Leung and Art Roberts | 137 OLD KINGS HWY, Wilton, CT 06897 | andrew.leung@yogasix.com | Yes |
| Andrew Schilling | 615 Oak Cove Lane, Knoxville, TN 37922 | andrew.schilling@yogasix.com | Yes |
| Andy Feldman & Ryan Wilner | 6817 Newstead Lane, Baltimore, MD 21203 | andy.feldman@yogasix.com | Yes |
| Anoosh Bozorgmerh | 572 Caruso Ave, Glendale, CA 91210 | anoosh.bozorgmerh@yogasix.com | Yes |
| Ariel Bacal | 2501 South Ocean Drive, Hollywood, FL 33019 | ariel.bacal@yogasix.com | Yes |
| Ariel Mchoney | 1593 Loring Drive NW, Atlanta, GA 30309 | ariel.mchoney@yogasix.com | Yes |
| Atana Paopradith & Nera | 10345 Vista Grove St, Alta Loma, CA 91737 | atana.paopradith@yogasix.com | Yes |
| Atul and Priyanka Sharma | 7402 Center Ave, #401, Huntington Beach, CA 92647 | atul.sharma | Yes |
| Audrey Ryder & Toni King | 131 Giffin Rd, Los Altos, CA 94022 | audrey.ryder@yogasix.com | Yes |
| Averi and Tim Parris | 1408 Stratford Ridge Ln, Cary, NC 27519 | averi.parris@yogasix.com | Yes |
| Betsy Koch | 5421 S Dayton Court, Greenwood Village, CO 80111 | betsy.koch@yogasix.com | No |
| Brad and Audra Moore | 7074 Sitio Corazon, Carlsbad, CA 92009 | brad.moore@yogasix.com | Yes |
| Brandy Mamuzika | 419 S. 8th St. Ste 302 | brandy.mamuzika@yogasix.com | Yes |
| Brett Stahl | 6219 Muirloch Drive, Dublin, OH 43017 | brett.stahl@yogasix.com | No |
| Brian & Adrian Holmes | 101 Big Springs Drive, Folsom, CA 95630 | brian.holmes@yogasix.com | Yes |
| Bryan Hight | 6 Quincy Place NE, Washington DC 20002 | bryan.hight@yogasix.com | Yes |
| Carmen and John Navratil | 15842 Berea Drive, Odessa, FL 33556 | carmen.navratil@yogasix.com | No |
| Carol and Bryce Mctavish | 816 Acoma Street, unit 1218, Denver, CO 80204 | carol.mctavish@yogasix.com | Yes |
| Caroline Schwartz | 9804 Sandy Rock Place # 1302, Charlotte, NC 28277 | carolyn.schwartz@yogasix.com | Yes |
| Cassandra & Eric Choronzy | 811 Lyford Ln, Wheaton, IL 60189 | cassandra.choronzy@yogasix.com | No |
| Cheri and Erich Ehrlich | 2055 STRATFORD AVE, SOUTH PASADENA, CA 91030 | cheri.ehrlich@yogasix.com | Yes |
| Chris Dordell & Jason Fenske | 52 Innes Court, #309, San Francisco, CA 92124 | chris.dordell@yogasix.com | Yes |
| Christina Perronie | 4403 Hanover Ave., Richmond, VA 23221 | christina.perronie@yogasix.com | Yes |
| Clint and Jane Amator | 5869 E Blue Sky Dr, Scottsdale, AZ 85266 | clint.amator@yogasix.com | Yes |
| Dan and Amy Arnold | 17 Werf Drive, Redding, CT 06896 | dan.arnold@yogasix.com | Yes |
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| Yaqim and Karim Lalani | N/A | yaqim.lalani@yogasix.com | Yes |

**LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM IN THE PAST FISCAL YEAR OR THAT HAVE FAILED TO COMMUNICATE WITH US IN THE 10 WEEKS PRECEDING THE ISSUE DATE OF THIS DISCLOSURE DOCUMENT**

| Franchisee | Address | Telephone/Email |
|---|---|---|
| Jeff Brown | 5215 Greenheart Drive, Indianapolis, IN 46237 | jeff.brown@yogasix.com |
| Jessica Rule | 13612 Elena Gallegos Pl NE, Albuquerque, NM 87111 | jessica.rule@clubpilates.com |
| Stuart Erskine | 560 Steamboat Blvd, Steamboat Springs, CO 80487 | serskine61@gmail.com |

**Exhibit I**
**To Franchise Disclosure Document**

# DEVELOPMENT AGREEMENT

**YOGA SIX FRANCHISE, LLC**

**AREA DEVELOPMENT AGREEMENT**

DEVELOPER

_____

_____
DATE OF AGREEMENT

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## TABLE OF CONTENTS


1. REFERENCES AND DEFINITIONS....2
2. USE OF SYSTEM....3
3. GRANT OF DEVELOPMENT RIGHTS....3
4. DEVELOPMENT RIGHTS AND OBLIGATIONS....4
5. STUDIO CLOSINGS....6
6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS....6
7. DUTIES OF DEVELOPER....6
8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT....8
9. DEVELOPMENT FEE....9
10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT....9
11. COVENANTS....9
12. RELATIONSHIP OF THE PARTIES....11
13. PROPRIETARY MARKS....13
14. TERMINATION....14
15. EFFECT OF TERMINATION AND EXPIRATION....15
16. TRANSFER OF INTEREST....15
17. APPROVALS....20
18. NONWAIVER....20
19. DEVELOPER'S RECORDS AND REPORTS....20
20. NOTICES AND PAYMENTS....21
21. GOVERNING LAW....24
22. ARBITRATION AND OTHER DISPUTE RESOLUTION PROVISIONS....24
23. ENFORCEMENT....24
24. CAVEAT....27
25. MISCELLANEOUS....27


EXHIBITS


ATTACHMENT: GUARANTY AND ASSUMPTION OF OBLIGATIONS
EXHIBIT A – DEVELOPMENT AREA
EXHIBIT B – DEVELOPMENT SCHEDULE
EXHIBIT C – FRANCHISE AGREEMENT
EXHIBIT D – STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS
EXHIBIT E – CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE


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**YOGA SIX FRANCHISE, LLC**
**AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (the "Agreement"), is made and entered into this _____day of _____, 20___, by and between: (i) Yoga Six Franchise, LLC, a limited liability company formed and operating under the laws of the State of Delaware whose principal business address is 17877 Von Karman Avenue, Suite 100, Irvine, California 92614 (the "Franchisor"); and _____ (ii) _____, a/n _____ with a business address at _____ (the "Developer").

**WITNESSETH:**

WHEREAS, as the result of the expenditure of time, effort and expense, Franchisor has created a unique and distinctive proprietary system (hereinafter the "System") for the establishment, development and operation of a YOGA SIX Studio (each, a "Studio") that provides Studio offering (a) indoor yoga classes/instruction and other related exercise classes and services that Franchisor authorizes (collectively, the "Approved Services"), and (b) certain merchandise and other products Franchisor authorizes for sale in conjunction with the Approved Services and Studio operations (collectively, the "Approved Products"), to the general public and/or through a membership-based program, under the mark YOGA SIX.

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

WHEREAS, the distinguishing characteristics of the System include, without limitation, proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Studio, standards and specifications for the furniture, fixtures and equipment located within a Studio, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Studio.

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

WHEREAS, Developer desires the right to develop, own and operate multiple Studios under the System in a defined geographic area under a Development Schedule (the "Development Schedule") set forth in this Agreement; and

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

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

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## 1. REFERENCES AND DEFINITIONS

### A. DEVELOPMENT AREA

"Development Area" means the geographic area described in Exhibit A.

### B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD

"Development Schedule" means the schedule for Developer to open and operate a specific cumulative number of Studios as set forth in Exhibit B to this Agreement. Each "Development Period" is a period of time set forth in the Development Schedule wherein Developer must meet each specific development obligations.

### C. FRANCHISE AGREEMENT

Except for the royalty fee and the advertising contributions, which shall remain the same in each franchise agreement executed pursuant to this Agreement and any extensions of this Agreement, the term "Franchise Agreement" means the then-current form of agreements (including the franchise agreement and any exhibits, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) that Franchisor customarily uses in the granting of a franchise for the ownership and operation of a Studio.

Concurrent with the execution of this Agreement, Developer shall execute the Franchise Agreement for the first Studio that Developer is granted the right to open within the Development Area hereunder. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a Studio.

The parties agree and acknowledge that: (i) Developer must timely execute Franchisor's then-current form of Franchise Agreement for each Studio that Developer is required to open and commence operating pursuant to the Development Schedule; and (ii) Franchisor may, in its discretion, modify or amend the form of Franchise Agreement that Franchisor is using as of the date this Agreement is executed as it deems appropriate for (a) use in the System generally, and (b) execution by the parties in connection with the Studios that Developer must subsequently open and commence operating under this Agreement.

### D. PRINCIPALS

The term "Principals" includes, collectively and individually, Developer's owners; if Developer is an entity, any officers and directors of Developer (including the officers and directors of any general partner of Developer) and any person and of any entity directly owning and/or controlling ten percent (10%) or more of Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Exhibit D. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (immediately following this Agreement) undertaking to be bound jointly and severally to all provisions of this Agreement.

## 2. USE OF SYSTEM

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

## 3. GRANT OF DEVELOPMENT RIGHTS

### A. GRANT AND TERM

In reliance on the representations and warranties of Developer and its Principals, Franchisor grants to Developer, and Developer hereby accepts the right and obligation to develop, a designated number of Studios within the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of Studios over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under the form(s) of Franchise Agreement entered into for the right to own and operate each individual Studio.

The term of this Agreement shall commence upon full execution of this Agreement and, unless earlier terminated by Franchisor pursuant to the terms hereof, this Agreement shall expire upon the earlier of: (i) the date Developer timely opens the last Studio it is required to open and commence operations within the Development Area pursuant to this Agreement; or (ii) the last day of the last Development Period on the Development Schedule. Developer acquires no rights under this Agreement to develop Studios outside the Development Area. Upon expiration or termination of this Agreement for any reason, Developer will have no rights whatsoever within the Development Area (other than any territorial rights that Franchisor has granted to Developer in connection with any Studio(s) that Developer has timely opened pursuant to a Franchise Agreement as required by the Development Schedule prior to the date this Agreement is terminated or expires).

### B. COMMITMENT OF DEVELOPER

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Developer and its Principals. This Agreement is for the purpose of developing and operating the Studios, and is not for the purpose of reselling the rights granted by this Agreement.

### C. DEVELOPMENT PLAN

The following conditions and approvals are conditions precedent before the right of Developer to develop each Studio becomes effective. At the time Developer selects a site for each Studio, Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements granted Developer. For each Studio operated by Developer, Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement).

(2) Financial: Developer and the Principals must satisfy Franchisor's financial criteria for Developers and Principals with respect to Developer's operation of its existing Studios, if any, and the proposed Studio. Developer must be in compliance and not been in default during the twelve (12)

months preceding Developer's request for approval, of any monetary obligations of Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

### D. EXECUTION OF FRANCHISE AGREEMENT

This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a Studio, or to provide services, or to distribute goods, or any right or license in the Proprietary Marks. Developer must timely execute Franchisor's then-current form of Franchise Agreement for each Studio that Developer is required to open under the Development Schedule.

## 4. DEVELOPMENT RIGHTS AND OBLIGATIONS

### A. RESERVATION OF RIGHTS

Franchisor (on behalf of itself and its affiliate(s), parent(s) and subsidiaries) retains the rights, in its sole discretion and without granting any rights to Developer: (1) to itself operate, or to grant other persons the right to operate, Studios at locations and on terms Franchisor deems appropriate outside the Development Area granted Developer, and (2) to sell the products and services authorized for Studios under the Proprietary Marks or under other trademarks, service marks and commercial symbols through dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, as we determine, in our sole discretion.

In addition, Franchisor, any other developer and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, in the Development Area. Developer acknowledges and agrees that Developer is only granted the right to develop and operate Studios within the Development Area. Accordingly, within and outside the Development Area, Franchisor and its affiliate and its subsidiaries may also offer and sell, and may authorize others to offer and sell products and services identified by the Proprietary Marks (including memberships and gift cards) at or from any location.

Franchisor and its affiliate(s)/parent(s) further reserve the right to: (i) open and operate, and license others the right to open and operate, Studios using the Proprietary Marks and System at any location outside of your Development Area; (ii) open and operate, and license others the right to open and operate, businesses that operate under marks other than the Proprietary Marks the offer similar products and services that are offered by a Studio, regardless of location; (iii) otherwise market, offer and sell products and services that are similar to the products and services offered by a Studio under a different trademark or trademarks, regardless of location; (iv) use the Proprietary Marks and System, as well as other such marks we designate, to distribute any Approved Products and/or Services in any alternative channel of distribution at any location, including via the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (v) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), regardless of location; and (vi) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited by this Agreement.

Franchisor may be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction, by a business providing products and similar services to those provided at a Studio, or by another business, even if such business operates, franchises and/or

licenses competitive businesses within the Development Area granted by the Area Development Agreement and within the Designated Territory granted by a Franchise Agreement.

Franchisor has the right to own, operate and license others to own and operate other business concepts in and outside the Development Area consistent with the terms of this Section.

Franchisor has no obligation and will not pay Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Designated Territory granted by a Franchise Agreement.

**B. RIGHTS DURING DEVELOPMENT PERIODS**

Subject to Section 4(A) and the other terms of this Agreement, if Developer (i) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of Studios over prescribed periods of time as established in Exhibit B (the "Development Schedule"), and (ii) is in substantial compliance with all material obligations under Franchise Agreements executed by Developer for individual Studios under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Developer the right to own and operate Studios located within the Development Area pursuant to the terms of this Agreement; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any Studio within the Development Area, except for franchises granted to Developer under this Agreement.

If Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 14 of this Agreement. In the event Developer fails to cure the noticed default within the time allowed under Section 14, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties or own and operate Studios owned by Franchisor or by the affiliate of Franchisor. Franchisor and Developer agree that the timely development of Studios by Developer in compliance with the Development Schedule will control the rights granted Developer by this Agreement, regardless of the time period granted Developer to open a Studio pursuant to a Franchise Agreement for such Studio. Upon termination of this Agreement, all rights granted Developer revert to Franchisor, who is free to franchise any other person to use the System within the Development Area or to itself own and operate Studios within the Development Area.

Notwithstanding anything contained in this Section, Franchisor will provide Developer with a one-time reasonable extension of time not to exceed ninety (90) days to comply with its development obligations in any one of the Development Period as set forth in the Development Schedule (see Exhibit B), provided: (i) Developer has already executed a lease for, or otherwise obtained, a Premises that Franchisor approves for any Studio(s) it is required to open and operate during that Development Period; and (ii) Developer notifies Franchisor of its need for such an extension no less than thirty (30) days prior to expiration of that Development Period. The parties agree and acknowledge that Franchisor's grant of this one-time extension under this Section will not extend, modify or otherwise affect the expiration of any of Developer's subsequent Development Periods or subsequent development obligations.

**C. DEVELOPMENT OBLIGATIONS**

Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of Studios within the Development Area. Developer agrees to open and operate the cumulative number of

Studios at the end of each Development Period set forth in the Development Schedule (see Exhibit B). Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

### D. EXPIRATION OR TERMINATION

After this Agreement expires or terminates for any reason, Franchisor shall have the absolute right to own and operate, or license other parties the right to own and operate Studios, in the Development Area, except in those Designated Territories granted under each Franchise Agreement that Developer enters into pursuant to this Agreement.

## 5. STUDIO CLOSINGS

If during the term of this Agreement, Developer ceases to operate any Studio developed under this Agreement for any reason, Developer must develop a replacement Studio to fulfill Developer's obligation to have open and in operation the required number of Studios upon the expiration of each Development Period. The replacement Studio must be open and in operation within nine (9) months after Developer ceases to operate the Studio to be replaced or Developer will be in material breach of this Agreement. If, during the term of this Agreement, Developer, in accordance with the terms of any Franchise Agreement for a Studio developed under this Agreement, transfers its interests in that Studio, a transferred Studio shall continue to be counted in determining whether the Developer has complied with the Development Schedule.

## 6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS

Developer shall enter into a separate Franchise Agreement with Franchisor for each Studio developed pursuant to this Agreement. The Franchise Agreement to be executed for the first Studio to be developed by Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement. All subsequent Studios developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for Studios under the System. The then-current form of Franchise Agreement may differ from the form attached as Exhibit C; however, the provisions regarding royalty fees and advertising contributions shall remain as established in Exhibit C. Developer must execute the then-current form of Franchise Agreement for each Studio to be developed under this Agreement

Developer acknowledges that the projected opening dates for each Studio set forth in the Development Schedule are reasonable requirements. Developer must execute a Franchise Agreement for each Studio by the earlier of: (i) fifteen (15) days from the date a lease is signed for a location that Franchisor approves for the Studio at issue; and (ii) the date necessary for Developer to otherwise comply with its development obligations under this Agreement.

## 7. DUTIES OF DEVELOPER

### A. ORGANIZATION OF DEVELOPER

Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Developer is a corporation, limited liability company or a partnership, Developer represents, warrants and covenants that: (i) Developer is duly organized and validly existing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement

are within Developer's corporate power, if Developer is a corporation or if Developer is a partnership permitted under Developer's written partnership agreement, or if Developer is a limited liability company, permitted under the management agreement;

(2) If Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Developer is a partnership, copies of Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Developer is a limited liability company, copies of Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principal's (as defined in Section 1), or if Developer believes in the event any individual later qualifies as one of Principals, Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Developer is a corporation, Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of ten percent (10%) or more in the ownership of Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete (Exhibit E). The Principals agree to jointly and severally guarantee the performance of all of Developer's obligations, under the terms of this Agreement, except the obligation to open Studios.

**B. <u>REQUIREMENTS OF REPRESENTATIVE</u>**

Upon the execution of this Agreement, Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Developer in all transactions with Developer concerning Developer's obligations under this Agreement (the "Representative"). If Developer is an individual, Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a

direct or indirect ownership interest in the Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Manuals or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Developer must promptly notify Franchisor and designate a replacement.

### C. BEST EFFORTS

Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders.

## 8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT

### A. SELECTION OF SITE BY DEVELOPER

Developer assumes all costs, liabilities, expenses and responsibilities for locating, obtaining, financing and developing sites for Studios, and for constructing and equipping Studios at those sites. The selection of a site and the development of a Studio at any site is the responsibility of Developer. The selection of a site by Developer is subject to our approval and must be in compliance with Franchisor's site selection procedures and its standards for demographic characteristics, parking, traffic patterns and the predominant character of the neighborhood, and other commercial characteristics of the site and any other factors Franchisor may consider relevant in reviewing a site selected by Developer. Developer must not enter into a binding commitment with a prospective seller or lessor of real estate with respect to the site for a Studio until Franchisor has approved the proposed site. Developer specifically acknowledges that the selection of a site by Developer in compliance with Franchisor's site selection procedures and the approval of a site by Franchisor does not constitute a representation, promise or guarantee by Franchisor that the site and the Studio to be operated at that site will be profitable or successful. Developer acknowledges that factors governing the success of a Studio are unpredictable and beyond Franchisor's control. Franchisor is not responsible to Developer or to any other person or entity if a site approved by Franchisor fails to meet Developer's expectations for revenue or operational criteria.

### B. DEMOGRAPHIC INFORMATION

Before acquiring a site for any Studio by lease or purchase, Developer must locate a site for the Studio that satisfies the site selection guidelines Franchisor provides to Developer and must submit to Franchisor, in the form Franchisor specifies, a description of the site, a demographic study and other information and materials Franchisor may reasonably require and shall represent in writing that Developer has the option or other firm commitment to obtain the site. Franchisor will review information provided by Developer for the site which may include the population of the work force or residents, character of the neighborhood, household income, ingress and egress, and trade area. If on-site evaluations by Franchisor are requested by Developer or determined to be necessary by Franchisor, then Franchisor or its designee will, at Franchisor's expense, provide a single on-site inspection in connection with each Studio that Developer is required to open hereunder at Franchisor's expense. Developer must reimburse Franchisor for the reasonable expenses Franchisor incurs for any additional on-site evaluations, including, but not limited to, the cost of travel, lodging, meals and wages of Franchisor's representatives and employees.

### C. LEASE OR PURCHASE OF SITE

Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a Studio until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer (or its affiliate) for a Studio at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed. Developer must comply with the conditions set forth in the Franchise Agreement at issue in connection with the signing of such a lease, including ensuring that both Developer and the landlord for the proposed site execute Franchisor's prescribed from of Collateral Assignment of Lease. Developer must use any approved or designated suppliers that Franchisor designates in connection with the site selection and acquisition process.

### D. FRANCHISE AGREEMENT

Franchisor will deliver a Franchise Agreement, in the then-current form, to Developer for execution by Developer (or its affiliate). With the execution of this Agreement, Developer must concurrently execute the Franchise Agreement establishing Developer's first Studio and return both this Agreement and the Franchise Agreement to Franchisor. If Developer fails to execute the Franchise Agreement, Franchisor may, at its sole discretion, revoke its approval of the site and its offer to grant Developer a franchise to operate a Studio at the site.

## 9. DEVELOPMENT FEE

Concurrently with the execution of this Agreement, Developer must pay to Franchisor a nonrefundable area development fee equal to $_____ (the "Development Fee"). The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable under any circumstances. Developer will not be required to pay any additional initial franchise fee for each Studio opened pursuant to this Agreement upon executing a Franchise Agreement for that Studio.

## 10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT

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

## 11. COVENANTS

A. Developer and the Representative covenant that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer and the Representative must devote substantial time, energy and best efforts to the management and operation of the development activities required under this Agreement.

B. Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Developer agrees to the covenants in

this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees and developers.

(1) During the term of this Agreement, neither Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to or have any interest in or involvement with, any fitness or exercise business, any fitness or exercise marketing or consulting business, any business offering products of a similar nature to those of the Studio, or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Developer under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Developer owns less than two percent (2%) legal or beneficial interest

(b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee or developer, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

(c) Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

(2) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

(3) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in or involvement with any other Competing Business: (i) within the Development Area; or (ii) within a forty (40) mile radius of the perimeter of the Development Area being granted hereunder or any other designated territory or development area licensed by Franchisor to a Studio (whether franchised or company-owned) at any time from the date of expiration or termination of this Agreement through the date Franchisee attempts to undertake the competitive activity at issue

(b) Solicit business from customers of Developer's former Studios or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee or developer to discontinue employment.

C. It is the parties' intent that the provisions of this Section 11 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 11 by Developer, any of Developer's Principals, or any member of the immediate family of Developer or Developer's Principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Developer acknowledges that the covenants contained herein are necessary to protect the goodwill of other System franchisees and developers, and the System. Developer further acknowledges that covenants contained in this Section 11 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Developer agrees that in the event of the actual or threatened breach of this Section 11, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 11 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 11 in no way prevent any such person from earning a living. Developer further acknowledges and agrees that the time limitation of this Section 11 shall be tolled during any default under this Section 11.

D. Developer must ensure that all management personnel of Developer's Studios opened under this Agreement, as well as any officers or directors of Developer, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. Developer must furnish Franchisor a copy of each executed agreement.

E. Developer hereby agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 11.

F. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to reduce the period of time or geographic scope of the non-competition covenants set forth in this Section 11 and in Exhibit E, by written notice to Developer.

## 12. RELATIONSHIP OF THE PARTIES

A. The parties agree that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor and must at all times represent itself as an independent contractor. This Agreement does not create either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or joint employer. Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take any action necessary to that end, including without limitation, exhibiting a notice on signage and member contracts, as required by Franchisor as to content and manner of disclosure.

B. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or

other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of any such action, or for any act or omission of Developer in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

C. Developer and each of the Principals shall, at all times, indemnify and hold harmless Franchisor and its affiliate, successors and assigns and the officers, directors, shareholders, agents, representatives and employees of each of them ("Indemnitees") from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal in any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation of any Proprietary Mark or other proprietary right owned by Franchisor;

(2) Claims of sexual harassment or discrimination by Developer's employees or by a guest at the Studio;

(3) The violation of any federal, state or local law, regulation, rule, standard or directive, or any industry standard, including without limitation, health, sanitation and safety laws and regulations;

(4) Libel, slander or any other form of defamation of Franchisor or the System, by Developer or the Principals;

(5) The violation or breach by Developer or any of the Principals of any warranty, representation, agreement or obligation of this Agreement or any Franchise Agreement; and

(6) Acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

Notwithstanding anything contained in this Section 12(C), Developer will not be required to indemnify, defend or hold Franchisor harmless for any claims or causes of action that arise solely out of Franchisor's gross negligence or willful misconduct.

D. Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry or investigation.

E. Franchisor may, at any time and without notice, as it, in its reasonable discretion, consent, or agree to settlement, or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

F. All losses and expenses incurred under this Section 12 shall be chargeable to and shall be paid by Developer or any of the Principals pursuant to this Section 12, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. However, Franchisor will indemnify Developer from losses or expenses resulting from the direct result of Franchisor's negligence or intentional acts.

G. The phrase "losses and expenses" shall include, without limitation, all monetary losses, compensatory, exemplary or punitive damages, fines, actual costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, damages to Franchisor's reputation and

goodwill, costs of financing or advertising material and media costs and all expenses of recall, refunds, compensation, public notices and such other amounts incurred in connection with the matters described.

H. Developer must give Franchisor notice of any such action immediately upon Developer having received notice of any such action, claim or proceeding.

I. Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer and the Principals agree that the failure of Franchisor to pursue recovery or mitigate loss from third parties will in no way reduce the amounts recoverable from Developer or the Principals.

J. Developer and the Principals expressly agree that the terms of this Section 12 shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

## 13. PROPRIETARY MARKS

A. Developer acknowledges that Developer has no interest in or to the Proprietary Marks and Developer's right to use the Proprietary Marks is derived solely from the individual Franchise Agreements entered into between Developer and Franchisor for the purpose of operating Studios. Developer agrees that all usage of the Proprietary Marks by Developer and any goodwill established exclusively benefits Franchisor. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to Studios operated by Developer under individual Franchise Agreements, directly or indirectly, at any time or in any manner identify itself or any business as a Developer or former Developer of, or otherwise associated with, Franchisor or use in any manner or for any purpose any Proprietary Mark or other indicia of a Studio or any colorable imitation.

B. Developer must not use any Proprietary Mark as part of any corporate or trade names or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Developer use any Proprietary Mark in connection with any business or activity, other than the business conducted by Developer under Franchise Agreements entered into between Developer and Franchisor, or in any other manner not explicitly authorized in writing by Franchisor.

C. Developer must immediately notify Franchisor in writing of any apparent infringement of or challenge to Developer's use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim. Franchisor has sole discretion to take action it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Proprietary Mark.

D. Franchisor has registered the domain name www.yogasix.com. Developer acknowledges that Franchisor is the lawful and sole owner of this domain name, which incorporates the trademark YOGA SIX. Developer agrees not to register the trademark YOGA SIX or any of the Proprietary Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names, including, but not limited to, generic and country code top level domain names available at the present time or in the future.

E. Developer agrees and acknowledges that this Agreement does not grant Developer any rights whatsoever to use any Proprietary Mark, and that such rights are only granted through Developer's timely execution of a Franchise Agreement that will govern the operation of a Studio that Developer is required to open pursuant to the Development Schedule

## 14. TERMINATION

A. Franchisor may terminate this Agreement for a material default of this Agreement by Developer and all rights granted herein shall automatically terminate upon written notice to Developer, upon the occurrence of any of the following:

(1) If Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Developer in bankruptcy; or Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer, (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer; or if a suit to foreclose any lien or mortgage against the premises or Studio is levied; or if the real or personal property of Studio is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Developer or any of its Principals fail to comply with Section 11 of this Agreement;

(3) If Developer or a Principal discloses the contents of the Manuals or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a Studio operated by Developer under a Franchise Agreement;

(5) If Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Developer fails on three (3) or more occasions within any one (1) year period to comply with one (1) or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon thirty (30) days written notice to Developer, or a less time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Developer to cure the good cause for termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Developer fails to develop, open and operate each Studio and execute each Franchise Agreement in compliance with this Agreement;

(3) If Developer fails to designate a qualified replacement Representative;

(4) If Developer misappropriates, misuses or makes any unauthorized use of the Proprietary Marks or materially impairs the goodwill associated with the Proprietary Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within fourteen (14) days following written notice from Franchisor;

(6) If Developer fails to correct a deficiency of a health, sanitation, or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Developer.

D. Upon termination of this Agreement, Developer has no right to establish or operate any Studio for which an individual Franchise Agreement has not already been executed by both Franchisor and Developer, as well as delivered to Developer, as of the date of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, Studios in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

## 15. EFFECT OF TERMINATION AND EXPIRATION

All obligations of Franchisor and Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

## 16. TRANSFER OF INTEREST

### A. BY FRANCHISOR

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

## B. DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR

Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and its owners and that Franchisor has granted these rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Developer as provided in Section 16(D), none of these rights nor any ownership interest in Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a partnership, by transfer of an interest in Developer or in this Agreement in a divorce proceeding, or if Developer or an owner of Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee.

## C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

If Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 16(B) so long as the proposed assignee or transferer has good and moral character, sufficient business experience and aptitude to develop and own and operate Studios, and otherwise meets Franchisor's then-current standards for developers and System franchisees. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

(1) All the accrued monetary obligations of Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;

(2) Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Developer or any of its affiliates and Franchisor or its affiliate;

(3) Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this Agreement and any other agreements between Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business,

and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other Studios operated by transferee, if any;

(5) The transferee must (i) sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Developer in this Agreement, and (ii) at our option, execute our then-current form of Development Agreement that will then govern the remainder of the original Development Schedule. If transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Developer shall pay a transfer fee equal to $10,000 per undeveloped territory to Franchisor at the time of transfer, unless the transfer is being made: (i) to an immediate family member of Developer that Franchisor approves pursuant to Section 16(F); or (ii) in the form of an encumbrance of the assets of any Franchised Business (or a subordinating Franchisor's security interest in such assets) as a necessary condition to obtain SBA or traditional bank financing;

(7) Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Developer described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee. Upon an approved transfer under this Section, Developer will only be bound by, and liable in connection with, its post-term obligations under this Agreement.

**D. <u>ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY</u>**

(1) Notwithstanding the provisions of this Section 16 of this Agreement, upon thirty (30) days' prior written notice to Franchisor, and without payment of a transfer fee, Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of Studios. Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Developer before the transfer. Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Developer, by and amongst themselves with Franchisor's prior written consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 11, except that such transfer, sale or assignment shall not effect a change in the controlling interest in Developer.

(2) Any person who is or becomes a shareholder or member of Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than ten percent (10%) ownership interest in Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Developer.

## E. RIGHT OF FIRST REFUSAL

If Developer receives and desires to accept any bona fide offer to transfer an ownership interest in this Agreement from a third party, then the Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Developer that Franchisor intends to purchase the Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within sixty (60) days from the date of notice by Franchisor to the Developer of Franchisor's election to purchase. If Franchisor elects not to accept the offer within the thirty (30) day period, Developer shall have a period not to exceed sixty (60) days to complete the transfer subject to the conditions for approval set forth in Section 16(C) of this Agreement. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 16 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

## F. DEATH OR DISABILITY

Upon the death or permanent disability of Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager that is approved by Franchisor within ninety (90) days from the date of death or permanent disability (the "90 Day Period"). Before the end of the 90 Day Period, the appointed manager must attend and successfully complete Franchisor's training program and must either execute Franchisor's then-current form of area development agreement for the unexpired term of this Agreement, or furnish a personal guaranty of any partnership, corporate or limited liability company Developer's obligations to Franchisor and Franchisor's affiliates. If the Studio is not being managed by a Franchisor approved manager during the 90 Day Period, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Developer's Studios for and on behalf of Developer until an approved assignee is able to assume the management and operation of the Studio. Franchisor's appointment of a manager of the Studio does not relieve Developer of his obligations, and Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Studio or to any creditor of Developer for any products, materials, supplies or services purchased by the Studio during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time. Franchisor's right of first refusal set forth in Section 16(E) will not apply to a transfer under this Section if the transferee is an immediate family member of Developer that Franchisor approves.

## G. PUBLIC OR PRIVATE OFFERINGS

(1) Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: (i) if Developer attempts to raise or secure funds by the sale of securities in Developer or any affiliate of

Developer (including common or preferred stock, bonds, debentures or general or limited partnership interest) and (ii) if any of its owners attempt to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interests) Developer (or any of its owners) agrees not to use the written materials submitted to Franchisor or any other written materials to raise or secure funds unless and until Franchisor approves of the language. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been furnished to Franchisor, in writing, pursuant to the written request of the Developer. The written request shall state the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or its affiliate or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Developer must pay Franchisor a public offering fee of Three Thousand Five Hundred Dollars ($3,500) for the costs to Franchisor to review the information. The written consent of Franchisor pursuant to this Paragraph G does not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

> **"NEITHER YOGA SIX FRANCHISE, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER YOGA SIX FRANCHISE, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER YOGA SIX FRANCHISE, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE'S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."**

(3) Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) asserted by a purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

## H. NOTICE TO FRANCHISOR

Provided Developer is not then a public company, if any person holding an interest in Developer (other than Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor's competitors. The transferee must execute a Confidentiality Agreement and Ancillary Covenants Not to Compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Exhibit E. Franchisor also reserves the right to designate

the transferee as one of the Principals. If Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than ten percent (10%) of Developer's voting stock.

## 17. APPROVALS

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent.

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

## 18. NONWAIVER

A. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer or Principals with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Developer and the Principals warrant and undertake that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default by Developer or any of the Principals shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

B. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement, the rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or early termination of this Agreement shall not discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or early termination of this Agreement.

## 19. DEVELOPER'S RECORDS AND REPORTS

A. Developer must keep accurate records concerning all transactions and written communications between Franchisor and Developer relating to the development and operation of Studios in the Development Area. Franchisor's duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Developer's records with respect to the subject matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three (3) years after preparation.

B. Developer must furnish to Franchisor monthly written reports regarding Developer's progress on the development of Studios under this Agreement.

## 20. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one (1) business day after sending by overnight courier with delivery confirmed and addressed to the party to be notified at its most current address of which the notifying party has been notified. The following addresses for the parties shall be used unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Yoga Six Franchise, LLC
Attn: Lindsay Junk
17877 Von Karman Avenue
Irvine, California 92614

With an additional copy to:

Fisher Zucker, LLC
Attn: Lane Fisher
21 South 21st Street
Philadelphia, PA 19103

Notice to Developer:

_____
_____
_____
_____
ATTN: _____

## 21. GOVERNING LAW

A. This Agreement is governed by the laws of the state of California without reference to this state's conflict of laws principles, except that: (i) any disputes or actions involving any non-competition covenants set forth in any agreement with us, including the interpretation and enforcement thereof, must be governed by the law of the state where the Studio is located.; and (ii) any franchise-specific or franchise-applicable laws of California, including those related to pre-sale disclosure and the franchise relationship generally, will not apply to this Agreement or franchise awarded hereunder unless the awarding of said franchise specifically falls within the scope of such California laws, regulations or statutes without reference to and independent of any reference to this choice of law provision.

## 22. ARBITRATION AND OTHER DISPUTE RESOLUTION PROVISIONS

A. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third

party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

B. At Franchisor's option, all claims or disputes between Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 22(A) above, will be submitted first to mediation to take place at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 22(B) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Developer's payment obligations under this Agreement.

C. Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally, and to return to business as soon as possible. Subject to Sections 22(D)-(E) of this Agreement, Developer and Franchisor have agreed that the provisions of this Article 22 support these mutual objectives and, therefore, agree that any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where either party is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner:

a. Developer and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Sections 22(B) and 22(C), below.

b. All Claims shall be submitted to and resolved by binding arbitration in Orange County, California, before and in accordance with the arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator shall be entered in any Court having jurisdiction thereof.

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

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

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

f. Any arbitration proceeding conducted under this Section, including all demands, filings and evidence submitted in connection therewith, must be kept strictly confidential, unless Franchisor agrees otherwise in writing.

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

E. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in Section 22 of this Agreement, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

F. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

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

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

expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

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

J. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT OR THE PERFORMANCE OF EITHER PARTY.

K. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## 23. ENFORCEMENT

### A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, is considered severable and if, for any reason, any portion of this Agreement is held to be invalid, 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 in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party, otherwise upon Developer's receipt of a notice of non-enforcement from Franchisor.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure Franchisor prescribes is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid

and enforceable. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any specification, standard or operating procedure Franchisor prescribes, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

### B. EXCEPTIONS

Neither Franchisor nor Developer are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

### C. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Developer of any other right or remedy which Franchisor or Developer is entitled by law to enforce.

### D. COSTS AND ATTORNEYS' FEES

If Developer is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and arbitration expenses. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

### E. VARIANCES

Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from Franchisor in writing. Developer understands existing Developers may operate

under different forms of agreements and that the rights and obligations of existing Developers may differ materially from this Agreement.

## F. BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

## G. CONSTRUCTION/INTEGRATION CLAUSE

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Developer. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the franchised business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents, representatives, independent contractors, attorneys, or Developers, which are contrary to the terms set forth in this Agreement or of any franchise disclosure document, offering circular, prospectus, or other similar document required or permitted to be given to Developer pursuant to applicable law.

Developer hereby acknowledges and further represents and warrants to Franchisor that:

1. Developer has placed no reliance on any oral or written statements, whether referred to as representations, warranties, inducements, or otherwise, which are not contained in this Agreement or in the Franchise Disclosure Document;

2. Developer has entered into this Agreement after making an independent investigation of Franchisor's operations and the System;

3. Franchisor has not made any guarantee or provided any assurance that the business location will be successful or profitable regardless of whether Franchisor may have approved of the franchise or site location;

4. Developer has (a) read this Agreement in its entirety and understands its contents; (b) been given the opportunity to clarify any provisions that Developer did not understand and (c) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;

5. Developer has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the franchise offered by Franchisor; and

6. Developer has received a copy of the Franchise Disclosure Document not later than the first personal meeting held to discuss the sale of a franchise, or fourteen (14) calendar days before execution of this Agreement or fourteen (14) calendar days before any payment of any consideration.

Except as may have been disclosed at Item 19 of Franchisor's Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## 24. CAVEAT

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent business person, and the active participation of Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.

C. Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

## 25. MISCELLANEOUS

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The "Developer" as used in this Agreement is applicable to one (1) or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer or the Assignee, if Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

D. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

***[signatures on following page]***

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**
**YOGA SIX FRANCHISE, LLC**

By: _____

Print Name: _____

Title: _____

Date: _____

**DEVELOPER:**

_____

**IF AN INDIVIDUAL:**

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

**IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

**ATTACHMENT TO DEVELOPMENT AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____ _____, 20___, by _____, (each a "Guarantor").

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "Area Development Agreement") by and between Yoga Six Franchise, LLC (the "Franchisor"), and _____ ("Developer"), each of the undersigned (each, a "Guarantor") hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every obligation of Developer under the the Area Development Agreement, both monetary obligations and non-monetary in nature, including without limitation, those obligations related to: confidentiality and non-disclosure; indemnification; the Proprietary Marks; the in-term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue, attorneys' fees and other dispute resolution provisions set forth in the Area Development Agreement (that shall also apply to this Guaranty and Assumption of Obligations).

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor's undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to

collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.**

**PERSONAL GUARANTORS**

| | |
|---|---|
| _____ | _____ |
| [Insert Name of Guarantor] | [Insert Name of Spouse] |
| _____ | _____ |
| [Insert Name of Guarantor] | [Insert Name of Spouse] |
| _____ | _____ |
| [Insert Name of Guarantor] | [Insert Name of Spouse] |
| _____ | _____ |
| [Insert Name of Guarantor] | [Insert Name of Spouse] |

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**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREA**

The development rights and obligations of Developer, _____, to timely develop and open Studios shall be within the following described area:

_____

_____

_____

**DEVELOPER**

_____

By: _____

Name:_____

Title:_____

**FRANCHISOR**

**YOGA SIX FRANCHISE, LLC**

By: _____
Lindsay Junk, President

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**EXHIBIT B TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

1. Development Schedule

Developer, _____, agrees to timely open Studios in compliance with the following development schedule (the "Development Schedule"). Developer further agrees that failure to timely open the Studios in compliance with the Development Schedule shall cause the rights of exclusivity granted to Developer regarding the geographic area defined in Exhibit A to be forfeited.

The Development Schedule is as follows:

| Expiration of Development Period | Number of New Unit Franchises that Must be Opened and Commence Operations Within Development Period | Number of Unit Franchises that Must be Open and Operating by the Expiration of the Development Period |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

2. Forfeiture of Rights of Exclusivity

Developer's failure to comply with the Development Schedule in any manner shall be grounds for Franchisor to (a) terminate the Development Agreement to which this Development Schedule is attached as an Exhibit, or (b) in lieu of such termination, terminate any exclusive or other territorial rights that Developer may have within the Development Area or otherwise under the Development Agreement.

APPROVED:

**DEVELOPER**

_____

By: _____

Name:_____

Title:_____

**FRANCHISOR**

**YOGA SIX FRANCHISE, LLC**

By: _____
Lindsay Junk, President

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**EXHIBIT C TO AREA DEVELOPMENT AGREEMENT**

**FRANCHISE AGREEMENT**

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**EXHIBIT D TO AREA DEVELOPMENT AGREEMENT**

**STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS**

A. The following is a list of shareholders, partners, members or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

| Name | Percentage of Ownership/Nature of Interest |
|---|---|

B. The following is a list of all of Principals described in and designated pursuant to this Area Development Agreement, each of whom shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Exhibit E of this Area Development Agreement:

**DEVELOPER**

_____

By: _____

Name:_____

Title:_____

**FRANCHISOR**

**YOGA SIX FRANCHISE, LLC**

By: _____
Lindsay Junk, President

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**EXHIBIT E TO AREA DEVELOPMENT AGREEMENT**

**CONFIDENTIALITY AGREEMENT AND**
**ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ___day of _____, 20__, between YOGA SIX FRANCHISE, LLC, a Delaware limited liability company ("Franchisor"), _____ ("Developer"), and _____("Covenantor").

RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the "System") for the development and operation of YOGA SIX Studios under the name and mark YOGA SIX ("Studios"); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark YOGA SIX and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System's high standards of quality, appearance, service and all information relating to the System and to the development and operation of the Studio, including, without limitation, the operating manual, Franchisor's training program, members and supplier lists, or other information or know-how distinctive to a Studio; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (collectively, the "Confidential Information"); and

WHEREAS, the Proprietary Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Developer the limited right to develop a Studio using the System, the Proprietary Marks and the Confidential Information, pursuant to an Area Development Agreement entered into on _____, 20___ ("Area Development Agreement"), by and between Franchisor and Developer; and

WHEREAS, Franchisor and Developer have agreed in the Area Development Agreement on the importance to Franchisor and to Developer and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Developer, or any entity having an interest in Developer ("Covenantor") to have access to and to use some of all of the Confidential Information in the management and operation of Developer's Studio using the System; and

WHEREAS, Developer has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

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WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Developer; and

WHEREAS, Covenantor wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform the services for Developer; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Developer shall disclose to Covenantor some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Developer and/or Covenantor are deemed Confidential Information for the purposes of this Agreement.

2. Covenantor shall receive the Confidential Information in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Developer and then only in connection with the development and/or operation by Developer of a Studio for so long as Developer is licensed by Franchisor to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a Studio.

5. Covenantor must surrender any material containing some or all of the Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by Developer, or upon conclusion of the use for which the information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. Franchisor loans all manuals to Developer for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information during the term of this Agreement, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Studios to any competitor;

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any Developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Developer's employment of that person if permitted under the Area Development Agreement; and

c. Except with respect to Studios operated under a valid and existing Franchise Agreement between Developer (or Developer's affiliates) and Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business (as defined below) or a business that is of a character and concept similar to a Studio. For purposes of this Agreement, a "Competing Business" is defined as any business that (1) derives at least ten percent (10%) of its revenue from sales generated from the provision of any yoga instruction or other Approved Services and Approved Products that are offered at a Studio, or (2) grants franchises or licenses to others to operate the type of business described in subpart (1) of this Section.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for two (2) years following the earlier of the expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of his association with or employment by Developer, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Studios to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any franchisee of franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to Studios operated under Franchise Agreements between Developer and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a Studio (i) within the Development Area granted to Developer; or (ii) within a forty (40) mile radius of the perimeter of the Development Area being granted to Developer or any other designated territory or development area licensed by Franchisor to a Studio as of the date of expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of Covenantor's association with or employment by Developer.

Miscellaneous

1. Developer shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or

threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Area Development Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE THE STUDIO IS LOCATED]** AND COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT FOR **[INSERT STATE WHERE THE STUDIO IS LOCATED]**. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE WHERE THE STUDIO IS LOCATED]**OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the

following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to

Yoga Six Franchise, LLC
Attn: Lindsay Junk
17877 Von Karman Avenue, Suite 100
Irvine, California 92614

If directed to Developer, the notice shall be addressed to:

_____
_____
_____
Attention: _____

If directed to Covenantor, the notice shall be addressed to:

_____
_____
_____
Attention: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor without the prior written consent of Franchisor.

**IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.**

| **FRANCHISOR:** | **DEVELOPER:** |
|---|---|
| **YOGA SIX FRANCHISE, LLC** | (If Developer is a corporation) |
| | _____<br>Name of Corporation |
| By: _____<br>Title: _____ | By: _____<br>Title: _____ |

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**COVENANTOR:**

_____

Printed Name: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

_____
Developer

_____
Developer

_____
Developer

_____
Developer

(If Developer is a Limited Liability Company)

_____
Name of Limited Liability Company

By: _____
Title: _____

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**Exhibit J**
**To Franchise Disclosure Document**

## State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| STATE | EFFECTIVE DATE |
|---|---|
| CALIFORNIA | Pending |
| FLORIDA | Effective (annual exemption filing) |
| HAWAII | Pending |
| ILLINOIS | Pending |
| INDIANA | Pending |
| KENTUCKY | Effective (one-time filing) |
| MARYLAND | Pending |
| MICHIGAN | Effective (annual notice filing) |
| MINNESOTA | Pending |
| NEBRASKA | Effective (one-time filing) |
| NEW YORK | Pending |
| NORTH DAKOTA | Pending |
| RHODE ISLAND | Pending |
| SOUTH DAKOTA | Pending |
| TEXAS | Effective (one-time filing) |
| UTAH | Pending |
| VIRGINIA | Pending |
| WASHINGTON | Pending |
| WISCONSIN | Pending |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit K**
**To Franchise Disclosure Document**

**RECEIPTS**

**ITEM 23**
**RECEIPT**

This Disclosure Document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Yoga Six Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York, Oklahoma and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Yoga Six Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit B.

The franchisor is Yoga Six Franchise, LLC located at 17877 Von Karman Avenue, Suite 100, Irvine, California 92614. The name, principal business address, and telephone number of each Franchise Seller offering the Franchise are: Lindsay Junk, 17877 Von Karman Avenue, Suite 100, Irvine, California 92614; Lance Freeman and Emily Brown, Xponential Fitness, LLC, 17877 Von Karman Avenue, Suite 100, Irvine, California 92614, (949) 370-7093; _____.

Issuance Date: April 29, 2020. The effective date in each state is listed on the State Cover Page. Yoga Six Franchise, LLC authorizes the agents listed in Exhibit B to receive service of process for it.

I have received a Franchise Disclosure Document dated April 29, 2020. This Disclosure Document included the following Exhibits:

A. FRANCHISE AGREEMENT AND EXHIBITS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
C. FINANCIAL STATEMENTS
D. STATEMENT OF PROSPECTIVE FRANCHISEE
E. TABLE OF CONTENTS OF THE OPERATIONS MANUAL
F. GENERAL RELEASE OF ALL CLAIMS
G. STATE-SPECIFIC ADDENDA
H. LIST OF FRANCHISEES AND FRANCHISEES THAT LEFT OUR SYSTEM
I. MULTI-UNIT DEVELOPMENT AGREEMENT
J. STATE EFFECTIVE DATES
K. RECEIPTS

_____ _____
(Print Name) (Signature)

_____
Date

*Keep this copy for your records.*

©2020 Yoga Six Franchise, LLC

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I. MULTI-UNIT DEVELOPMENT AGREEMENT
J. STATE EFFECTIVE DATES
K. RECEIPTS

_____ _____
(Print Name) (Signature)

_____
Date

*Please sign this copy of the receipt, date your signature, and return this form to us as described in Item 23.*

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