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FRANCHISE DISCLOSURE DOCUMENT
ZOOGA YOGA ENTERPRISES, INC.

a California corporation
11054 Washington Boulevard
Culver City, California 90232
(310) 839-6642
www.zoogayoga.com
franchise@zoogayoga.com

The franchise described in this Disclosure Document is to operate a Zooga® yoga studio ("Zooga Studio"). Zooga Yoga is a children's and family yoga franchise. It is a bright, fun, creative, yoga and play studio, dedicated to introducing children and families to a one-of-a-kind, branded yoga experience called "Zooga Yoga". Zooga Yoga combines the most current mind and body wellness techniques with traditional yoga poses, dance, props, original children's music, and laugh-out-loud games to create interactive animal adventures. Guided by yoga principles and designed for entertainment, Zooga Yoga classes are developed to enhance one's strength, awareness, mind-body connection, self-control and focus as well as encouraging parental and family bonding and togetherness. In addition to classes for children and adults of all ages, Zooga Yoga also offers a substantial retail component, including many Zooga brand products, such as Zooga brand mats, yoga cards, cd's, dvd's, books, apparel, tote bags, eye pillows and water bottles.

We offer 2 franchise programs:

<u>Single Zooga Studio Program</u>. Under this program, you will sign a Franchise Agreement to operate one Zooga Studio. The total investment necessary to begin operation of a single Zooga Yoga franchise is $90,542 to $241,428. This includes between $35,125 and $37,988 that must be paid to the franchisor and/or its affiliate, as appropriate.

<u>Area Development Program</u>. Under this program, we will assign you a defined area within which you must develop and operate a minimum of 2 Zooga Studios within a specified period of time. The total investment necessary to begin operation of 2 Zooga Studios ranges from approximately $102,092 to $254,428. This includes between $45,125 and $47,988 that must be paid to the franchisor and/or its affiliate, as appropriate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Antonia King, text or call (310) 839-6642 or email at franchise@zoogayoga.com and 11054 Washington Boulevard, Culver City, California 90232.

The terms of your contract will govern your franchise relationship. Do not 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 an accountant.

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

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

Issuance Date: April 17, 2018.

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN LOS ANGELES COUNTY, CALIFORNIA. OUT OF STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE AND ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IF YOU PURCHASE THIS FRANCHISE, YOUR TERRITORY WILL NOT BE EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

4. THE FRANCHISOR IS AT AN EARLY STATE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We currently do not use the services of any FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective date: See the next page for state effective dates

STATE EFFECTIVE DATES

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

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

California ____________

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Exhibits

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

The Franchisor

The Franchisor is Zooga Yoga Enterprises, Inc. For ease of reference Zooga Yoga Enterprises, Inc., will be referred to as "we" or "us" in this Disclosure Document. We will refer to the person or entity who signs the Franchise Agreement as "you" throughout this Disclosure Document. If you are a corporation or other legal entity, certain provisions of the Franchise Agreement applies to your "Owners" and "Principal Owners" (defined below) and will be noted.

We are a California corporation formed on January 25, 2016. We do business under our corporate name and under the names "Zooga" and "Zooga Yoga". Our principal business address is 11054 Washington Boulevard, Culver City, California 90232. We are engaged in the business of granting and supporting franchises to franchisees under the "Zooga" trademark and trade names "Zooga" and "Zooga Yoga", and "Napercise". We do not operate a business of the type being franchised. We have no other business activities. We began offering franchises in May 2016. We have never offered franchises in any other line of business.

Our agents for service of process are listed in **Exhibit A**.

Our Parent, Predecessors and Affiliates

We have no parent or predecessor.

Our affiliate is Zooga Yoga, LLC, a California limited liability company headquartered at our address ("Operating Affiliate"). Our Operating Affiliate owns and operates one Zooga Studio in Culver City, California at our address. From July 24, 2012 to November 28, 2016, our Operating Affiliate operated its Zooga Studio at 4311 Overland Avenue, Culver City, California 90230. Our affiliate owns the Proprietary Marks (described below) which it has licensed to us so that we may sublicense them to our franchisees. Our Operating Affiliate is an approved supplier of items you must purchase or lease. Our Operating Affiliate has never offered franchises in this or any other line of business.

The Franchised Business

Zooga® is a yoga studio in the greater Los Angeles area dedicated to children and families. Zooga® offers a full range of yoga classes for all ages, including: Pre/Postnatal, Mommy & Baby, Infant, Toddler, Kids, Teen, and Adults as well as specialty classes such as Dance, Music, Baby Sign and a series of parenting workshops, studio and in-home private sessions, school programs, camps, and special events including birthday parties and "Kids' Nite Out." ("Zooga Yoga" or "Franchised Business"). Kids' Nite Out is one example of Zooga® innovation. This unique program offers parents and kids a night out. Parents drop their children off from 5:00 p.m. until 10:00 p.m. for a night of friends, arts and crafts, yoga and games, ending with a movie to relax. Dinner and snacks are provided to create a fun, easy night for everyone.

Zooga Yoga offers a variety of pricing programs: discounted one-month introductory memberships, per session, multiple class packages and individual or family memberships. A typical Zooga Studio is located in an inline or strip shopping center or mixed use development and has 1,000 to 1,600 square feet of space. Zooga Yoga is open seven days a week. Monday through Friday classes are typically offered beginning at 9:00 a.m. and ending between 8:00 p.m. and 9:00 p.m. (depending on registration). On the weekend, classes also start at 9:00 a.m. and typically end by 1:00 p.m. This allows for the scheduling of birthday parties and the Kids' Night Out event that takes place two or more weekend nights each month. Zooga Yoga also offers a retail component which includes a variety of products for retail sale including but not limited to: yoga mats, music cd's, dvd's, yoga cards, apparel, books, bracelets, eye pillows, tote bags, water bottles and other items. We produce our own original branded content in the form of cds, dvd's and books.

The Zooga Studio is decorated with colorful, proprietary characters, an interactive mural and our signature Chinese lanterns. It has a bright, playful atmosphere and provides a fun, welcoming and comfortable environment for kids and parents alike to enjoy healthy and happy activities. Zooga teachers are not all certified yoga instructors. We offer a wide variety of classes and instructors and our system teaches the right people how to be successful Zooga Yoga teachers.

Zooga Studios are established and operated under a comprehensive and unique system (the "System"). The System includes distinctive signage, interior and exterior design, décor and color scheme; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory and management; training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and in the "Manual", which you should expect to evolve over time, which is loaned to you as our franchisee.

Zooga Studios use certain trademarks, service marks, and commercial symbols, including the mark "Zooga", "YogaPlay" "Napercise" and the trade name "Zooga Yoga", all of which we may modify periodically. We may also modify a certain store design, décor and images developed for Zooga Studios and certain associated logos (collectively the "Marks" or "Proprietary Marks"). The Marks are owned by our Operating Affiliate which has licensed them to us so that we may sub-license them to our franchisees.

Since a Zooga Studio requires franchisees and their employees to work directly with children, you must pass our background check, and you must make sure that all of your employees also pass a background check. You may not employ anyone who has been convicted of a sex crime or a crime against a child, or who does not otherwise meet our requirements. You should review your state's requirements related to childcare licensing before you purchase the franchise.

<u>Zooga Yoga Franchise Programs</u>

We offer two separate franchise programs in this Disclosure Document, although we may not necessarily grant you the opportunity to purchase under either of these programs:

<u>Single Zooga Studio Program</u>.

Under this program, you will sign our Franchise Agreement (**<u>Exhibit B</u>**) to operate a Zooga Studio at a location that you choose and that we accept (the "**Franchised Location**").

Area Development Program

Under this program, we will assign you a defined geographic area (the "**Development Area**") within which you, as an area developer ("**Area Developer**"), must develop and operate a minimum of 2 Zooga Studios within a specified period of time. The Development Area may be one or more cities, one or more zip codes or counties, or other defined geographic areas. You will sign an Area Development Agreement (**Exhibit C**) that will describe your Development Area, your development schedule and your development obligations. You and we will determine the Development Area and the number of Zooga Studios that you will develop and operate on a case-by-case basis before you sign your Area Development Agreement. You must sign a separate Franchise Agreement for each Zooga Studio that you will open under the Area Development Agreement. The Franchise Agreement for your first Zooga Studio will be in the form attached as **Exhibit B** to this Disclosure Document and must be signed when you sign your Area Development Agreement. The Franchise Agreements for your additional Zooga Studios will be signed after you select and we accept a Franchised Location for those Zooga Studios and will be our then-current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit B**.

Market and Competition

Zooga Studios offer their products and services to the general public, but your primary target will be children (newborn to twelve years old), their parents and expectant mothers. There are many studios, both independent and franchised, offering yoga services but Zooga is primarily and uniquely focused on yoga for children.

Industry Specific Laws and Regulations

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Zooga Studio, including those that set standards pertaining to employee health and safety, fire safety and general emergency preparedness. In addition, you must comply with all local, state, and Federal laws that apply to your Zooga Studio including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment and sexual harassment laws. The Americans with Disability Act of 1990 ("**ADA**") requires readily accessible accommodation for disabled people. The ADA requires any accommodation necessary to provide access to goods, service, facilities, privileges, advantages or accommodations to the public and may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses.

If your state, city or county have laws that specifically apply to health clubs and fitness centers, and if your Zooga Studio is covered by these laws, you may be subject to some of the following types of requirements or prohibitions: (i) required annual registration of the Zooga Studio; (ii) required posting of a performance bond; (iii) required escrow of any fees collected before opening; (iv) required disclosure of all available membership levels, prices, sales, discounts, etc., (v) required membership contracts; (vi) limitations on length of membership term; (vii) limitations on frequency of dues increases; (viii) limitations on financing any initiation fee; (ix) required cancellation rights by members without penalty in certain situations; (x) restrictions on marketing and promotional claims; (xi) required annual licensing; (xii) specific requirement for restrooms and lockers; and (xiii) requirements for trained personnel (including CPR training).

If your state has laws that specifically apply to child care centers, and if your Zooga Studio falls within the scope of these laws, then you may be subject to some of the following types of requirements or prohibitions: (i) required annual registration of the Zooga Studio; (ii) required posting of a performance bond; (iii) required safety training; (iv) required teacher-to-child ratios; (v) limitations on hours of operation; (vi) instructor licensing and/or accreditation; and (vii) required background checks on instructors.

The Payment Card Industry Data Security Standard ("**PCI**") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

State and local laws vary from area to area. You should consult with an attorney or business advisor about the laws, regulations and ordinances that may affect the operation of your Zooga Studio.

ITEM 2
BUSINESS EXPERIENCE

Founder/CEO - Antonia King

Mrs. King has been our Founder and Chief Executive Officer since our inception in January 2016. Since July 2012 she has been our Founder and Chief Executive Officer of Zooga Yoga, LLC, our Operating Affiliate. From March 2010 to March 2012, she was an Executive Producer and Director with mOcean in Burbank, California.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Disclosure Document.

ITEM 5
INITIAL FEES

Single Zooga Studio Program

Initial Franchise Fee: You must pay us an initial franchise fee (the "**Initial Franchise Fee**") of $32,500 when you sign your Franchise Agreement (**Exhibit B**). If you are purchasing an additional Zooga

Studio we will reduce then current initial franchise fee by 25%. The initial franchise fee is imposed uniformly on all franchisees. The initial franchise fee is not refundable under any circumstances. The Initial Franchise Fee is used in part for working capital and in part for profit.

If you are a qualified United States Military Veteran who has been honorably discharged (you must provide a copy of your DD214), we will discount the initial franchise fee for your first Zooga Studio by 10% and cannot be combined with any other discount. No other discounts are available.

Initial Marketing Campaign: We reserve the right to collect a fee of $1,500 for your initial marketing campaign to promote the opening of your Franchised Business, which we will conduct on your behalf. If we request that you pay us this, it is not refundable.

Initial Inventory and Equipment: You must purchase your continuing supply of required logo'ed retail items, décor items, yoga teaching supplies and equipment from us, our affiliate or approved supplier and we reserve the right to earn a profit from the sale of these items to our franchisees. The estimated cost of the initial inventory ranges from $3,625 to $3,988. The estimated cost of Equipment & Décor ranges from $2,528 to $4,275.

Area Development Program

You must pay us a development fee (the "**Development Fee**") of $10,000 for each Zooga Studio you will develop under an Area Development Agreement, other than your first Zooga Studio. You must also pay us a $32,500 Initial Franchise Fee for your first Zooga Studio when you sign the Area Development Agreement. When you sign a Franchise Agreement for each subsequent Zooga Studio you will develop, you must pay us a $32,500 Initial Franchise Fee for each subsequent Zooga Studio; however, we will credit your Development Fee against the Initial Franchise Fee for each subsequent Zooga Studio (not to exceed a credit of $10,000 for any single Zooga Studio), so you will only have to pay us $32,500 when you sign a Franchise Agreement for each subsequent Zooga Studio. You must sign our then-current Franchise Agreement and pay the Initial Franchise Fee for each Zooga Studio after you select and we approve the Franchised Location for each Zooga Studio.

Different Fees

Except as otherwise described above, the Initial Franchise Fee and Development Fee are fully earned by us when paid and are not refundable under any circumstances. The Initial Franchise Fee and Development Fee are uniform to all parties applying to purchase a Zooga Studio. We use the proceeds from Initial Franchise Fees and Development Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (i) costs related to developing and improving our services; (ii) expenses of preparing and registering this Disclosure Document; (iii) legal fees; (iv) accounting fees; (v) costs of obtaining and screening franchisees; and (vi) general administrative expenses. We may reduce, defer or waive the Initial Franchise Fee or Development Fee if and when we determine it is warranted by a unique or compelling situation.

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ITEM 6
OTHER FEES

Fees (1)	Amount	Due Date	Remarks
Royalty Fee (2)	6% percent of Gross Sales	Payable on the 5th day of each month (or the next business day if the 5th day of the month is not a business day)	Royalty Fees are calculated based on Gross Sales for the previous month. Amounts due will be withdrawn by EFT from your designated bank account.
Brand Development Fee (3)	1% of Gross Sales	Payable on the 5th day of each month (or the next business day if the 5th day of the month is not a business day)	You must contribute immediately to the Brand Development Fund. The Brand Development Fund is described in Item 11.
Technology Fee (4)	Up to $200, Currently $25 per month	Monthly	For technology services provided by us, an affiliate or designated third party.
Local Marketing	$300	Must be spent monthly	You will spend this money directly with your local marketing vendors. All marketing must be approved by us before you use it.
Cooperative Marketing (5)	As determined by Cooperative members, but not more than 50% of local marketing requirement, unless a majority votes to increase it.	As determined by Cooperative	If a marketing cooperative is formed for your area, you must join the cooperative. Any money you contribute to a cooperative will count toward your local marketing requirement.
Initial Training (For New or Replacement Employees)	Our then-current per person training fee, plus expenses Current per person training fee = $200 per day	When billed	Training for the first 3 supervisorial and managerial personnel attending the same training session is provided at no additional charge. If you request that we provide our initial training program to any other supervisorial or managerial personnel, or to

Fees[(1)]	Amount	Due Date	Remarks
			new or replacement supervisorial or managerial employees during the term of your Franchise Agreement; (minimum 3) you must pay our training fee as well as the trainees' expenses, including travel, lodging, meals and wages.
Additional On-Site Training	Our then-current per diem rate per trainer, plus expenses Current per diem rate = $350	When billed	If you request that we provide additional training at your Zooga Studio or if we determine you need additional training, you must pay our daily fee for each trainer we send to your Zooga Studio, and you must reimburse each trainer's expenses, including travel, lodging and meals.
Interest	1.5% per month or the highest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts. Interest accrues from the original due date until the amount is paid in full.
Audit Fee	Cost of audit (estimated to be between $2,500 and $7,500)	When billed	Payable only if we find, after an audit, that you have understated any amount you owe to us or Gross Sales by 2% or more. You must also pay the understated amount plus interest.
Insufficient Funds Fee	$200	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12 month period, we have the right to terminate your Franchise Agreement.
Prohibited Product or Service Fine	$250 per day of use of unauthorized products or services	On demand, if incurred	In addition to other remedies available to us.

Fees (1)	Amount	Due Date	Remarks
Non-Compliance Fee	$200 per incident	On demand, if incurred	If you are not in compliance with the terms of your Franchise Agreement.
Inventory Purchases	Will vary depending on circumstances	As incurred	You must purchase your continuing supply of required retail items, décor items, yoga teaching supplies and equipment from us, our affiliate or approved supplier.
Transfer Fee	Franchise Agreement: 33% of our then-current initial franchise fee for a single unit franchise, if the transfer is to an existing franchisee in the System 50% of our then-current initial franchise fee for a single unit franchise if the transfer is to a new franchisee entering the System $1,500 for a single unit franchise, if the transfer is between existing owners that have already been approved or if you are adding a new shareholder that does not change the majority ownership in the franchisee entity Area Development Agreement: $5,000	On transfer of Franchise Agreement or Area Development Agreement, as applicable	Payable when you transfer your Franchise Agreement or Area Development Agreement, as applicable. No fee charged to an individual or partnership franchisee that transfers its rights, one time only, to a corporate entity controlled by the same interest holders.

Fees [1]	Amount	Due Date	Remarks
Renewal	$2,000	On renewal of Franchise Agreement or Area Development Agreement, as applicable	
Relocation Fee	15% of our then-current initial franchise fee for a single unit franchise	Submitted with request for approval of relocation	If you wish to relocate your Franchised Business and we approve the request.
Liquidated Damages	See footnote 6		
Computer Maintenance	Up to $1,000	Annually	We recommend, but do not require, that you have a maintenance contract for your computer system. This fee is payable to your supplier.
Music Subscription Fee	$33	Payable monthly	Payable to approved supplier.
Costs and Attorneys' Fees	Will vary under circumstances	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating your agreement.
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the Proprietary Marks in an unauthorized manner.
Repair, Maintenance, and Remodeling/ Redecorating	Will vary under circumstances	As incurred	Payable to suppliers. You must regularly clean and maintain your Zooga Studio and its equipment according to our requirements. We may require you to remodel or redecorate your Zooga Studio to meet our then-

Fees (1)	Amount	Due Date	Remarks
			current image for all Zooga locations. We will not require you to remodel or redecorate your Zooga Studio more frequently than every five years. If you do not maintain your Zooga according to our standards, we may arrange for the necessary maintenance and you must reimburse our costs on demand.
Management Fee	Our then-current management fee, currently $425 per person per day plus expenses	If incurred	We have the right to step in and manage your Franchised Business in certain situations, such as your death, disability or prolonged absence. The management fee is payable for each representative we send to manage your Franchised Business.
Refresher Training / Franchisee Meeting	Up to $400 to $500 per person, plus expenses	Before training or meeting	We may hold refresher training, annual teacher training workshops and/or a meeting of our franchisees, and we may designate that attendance is mandatory. The expenses you must pay for include travel, lodging, meals and applicable wages for your attendees.
Proprietary Software	To be determined	To be determined	We reserve the right to develop, or have developed for us, proprietary software that you must use. If we do this, an initial licensing fee of up to $1,800 per year and with an initial one-time licensing fee not to exceed $2,500 and may be payable to us or the supplier we designate.

Fees[(1)]	Amount	Due Date	Remarks
Product or Supplier Evaluation	Reimbursement of our costs, up to $750	On demand, if incurred	Payable if you request that we evaluate a product or supplier that we have not previously approved and that you want to use for your Franchised Business. If we approve the product or supplier for the System, we will refund the fee to you.
Insurance Premiums	Reimbursement of our costs, plus 10% administrative fee	On demand	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf and you will reimburse us.
Customer Loyalty Program	Will vary under the circumstances	As incurred	If we develop a customer loyalty program, you must participate in it.
Gift Card Program	Will vary under the circumstances	As incurred	If we develop a gift card program, you must participate in it.
Site Assistance Fee	Up to $300 per day plus expenses	When billed	If we require an on-site evaluation of a potential Zooga Studio location or you request it.
Membership/ Association Dues	$250 to $1,000	Annually	Paid to organization(s). You must be a member of your local Chamber of Commerce at a minimum to promote your Franchised Business.
Marketing and Promotional Materials	Up to $1,000	If incurred	We may periodically provide you with marketing and promotional materials for your use in local and in-store marketing.

Fees (1)	Amount	Due Date	Remarks
Private Offering Fee (Franchise Agreement and Area Development Agreement).	$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses with reviewing the proposed offering.	Before offering.	Payable for each proposed private offering of securities, partnership or other ownership interests in Franchisee and is in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement.

Unless otherwise noted above, all fees are uniformly imposed and payable to us.

1. These are estimates only in Item 6. It is extremely difficult to predict future changes in these costs because they are under the control of third parties. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may vary due to changes in market conditions, our cost of providing services and future policy changes. At the present time we have no plans to increase payments over which we have control.

2. For the purposes of determining the fees to be paid under the Franchise Agreement, "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments. We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us.

The Royalty Fee and Brand Development Fund contribution will be withdrawn from your designated bank account by electronic funds transfer ("EFT") on the fifth day of each month based on Gross Sales for the preceding month. You must report your Gross Sales to us on the fifth day of each month. If you do not report Gross Sales, we may debit your account for 120% of the last Royalty Fee and Brand Development Fund contribution that we debited. If the Royalty Fee and Brand Development Fund contribution we debit are less than the Royalty Fee and Brand Development Fund contribution you actually owe us, once we have been able to determine the true and correct Gross Sales for your Franchised Business, we will debit your account for the balance on a day we specify. If the Royalty Fee and Brand Development Fund contribution we debit are greater than the Royalty Fee and Brand Development Fund contribution you actually owe us, we will credit the excess against the amount we otherwise would debit from your account for the next payment due.

If any state imposes a sales or other tax on the royalty fees, then we have the right to collect this tax from you.

3. We administer the Brand Development Fund on behalf of the System (see Item 11) to provide national or regional creative materials for the benefit of the System.

4. The technology fee may initially be less than $200 and we may gradually increase the fee until it is $200 per month. Once the technology fee is at $200 per month, we have the right to increase the technology fee annually by 5% per year. Currently, a $25.00 per month fee is payable immediately.

5. Cooperatives will include all Zooga Studios located in a specific geographic area, whether owned by us, our affiliates or our franchisees. Each Zooga Studio has one vote in the cooperative, regardless of the number of Zooga Studios owned. No Cooperatives have been established as of the date of this Disclosure Document.

6. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

SINGLE ZOOGA STUDIO

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	$32,500 to $32,500	Lump Sum	On signing Franchise Agreement	Us
Lease Deposit(2)	$1,167 to $6,400	As arranged	As arranged	Landlord
Utility Security Deposits (3)	$0 to $250	As arranged	As arranged	Landlord, Utility Companies
Rent – 3 Months (4)	$3,750 to $20,800	As arranged	As arranged	Landlord
Leasehold Improvements (5)	$10,000 to $110,000	As arranged	As arranged	Contractor
Signage (6)	$3,000 to $6,000	As arranged	As arranged	Approved Suppliers
Furniture, Fixtures & Décor (7)	$4,615 to $7,045	As arranged	As arranged	Approved Suppliers
Yoga Teaching Equipment (8)	$2,862 to $3,572	As arranged	As arranged	Approved Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Miscellaneous Equipment (8)	$2,750 to $3,700	As arranged	As arranged	Supply Affiliate and Approved Suppliers
Computer Equipment (9)	$3,338 to $3,577	As arranged	As arranged	Approved Suppliers
Office Equipment & Supplies (10)	$300 to $400	As arranged	As arranged	Approved Suppliers
Initial Inventory (11)	$750 to $1,000	As arranged	As arranged	Approved Suppliers
Initial Retail Inventory (12)	$3,625 to $3,988	As arranged	As arranged	Us or Operating Affiliate
Spotify Music Subscription – 3 Months	$33 to $33	As arranged	As arranged	Approved Supplier
Uniforms(13)	$560 to $840	As arranged	As arranged	Approved Supplier
Permits and Business Licenses (14)	$125 to $500	As arranged	As arranged	Government Agencies
Professional Fees (15)	$1,550 to $3,000	As arranged	As arranged	Attorney, Accountant
Insurance (16)	$325 to $400	As arranged	As arranged	Insurance Companies
Training Expenses (17)	$2,304 to $7,559	As arranged	As incurred	Airlines, Hotels, Restaurants, Employees, Third Parties
Initial Marketing Expenditures (18)	$1,500 to $1,500	As arranged	As arranged	Us or Approved Suppliers
Equipment & Décor (19)	$2,528 to $4,275	As arranged	As arranged	Third Parties
Third Party Training Expense(20)	$300 to $979	As arranged	As arranged	Third Parties
Maintenance Equipment	$500 to $600	As arranged	As Arranged	Third Parties
Tools(21)	$300 to $400	As arranged	As incurred	Third Parties

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Software license Expense[22]	$1,110 to $1,110	As arranged	As arranged	Third Parties
Stationery & Initial Marketing Material Package[23]	$750 to $1,000	As arranged	As arranged	Third Parties/Vendors
Additional Funds & Capital – 3 Months [24][25]	$10,000 to $20,000	As arranged	As incurred	Various
Total [25]	**$90,542 to $241,428**			

AREA DEVELOPMENT AGREEMENT
(FOR 2 ZOOGA STUDIOS)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Investment 1st Zooga Studio[26]	$90,542 to $241,428	See Above	See Above	See Above
Development Fee[1]	$10,000 to $10,000	As arranged	When you signed your Area Development Agreement	Us
Professional Fees [15]	$1,550 to $3,000	As arranged	As arranged	Attorney, Accountant
Total [25]	**$102,092 to $254,428**			

Unless otherwise noted above, all fees are uniformly imposed and payable to us. In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable.

Notes:

1. *Initial Franchise Fee and Development Fee.* The initial franchise fee and the Development Fee are discussed in Item 5. When you sign the Area Development Agreement for a minimum of 2 Zooga Studios, you must pay us a Development Fee of $10,000 for each Zooga Studio you will develop, other than your first Zooga Studio. You must also pay us the $32,500 Initial Franchise Fee for your first Zooga Studio when you sign the Area Development Agreement. When you sign a Franchise Agreement for each subsequent Zooga Studio you will develop, you must pay us a $32,500 Initial Franchise Fee for each of

them; however, we will credit your Development Fee against the Initial Franchise Fee for each subsequent Zooga Studio (not to exceed a credit of $10,000 for any single Zooga Studio), so you will only have to pay us $32,500 when you sign a Franchise Agreement for each subsequent Zooga Studio. The estimates in these charts do not reflect the $10,000 credit we will grant you against the Initial Franchise Fee when you sign your second and subsequent Franchise Agreement under an Area Development Agreement.

2. *Lease Deposit.* Your landlord may require you to pay a security deposit. The low estimate assumes 1,100 square footage at $1.06 per square foot and the high estimate assumes 1,600 square footage location at $4.00 per square foot.

3. *Utility Security Deposits.* We expect that you will need to pay deposits for your local utilities, such as telephone, electricity and gas. The amount of your deposits will depend, in part, on your credit rating and the policies of the individual utility companies.

4. *Rent.* If you do not own adequate property that we approve, you must lease the property for your business. The typical size for a Zooga Studio is 1,000 to 1,600 square feet and is located in an inline or strip shopping center or any facility that may be fit for a Zooga Studio. The low estimate is based on $1.25 per square foot for a space of 1,000 square feet. The high estimate is based on $4.33 per square foot for a space of 1,600 square feet. The costs will vary widely and may be significantly higher than projected in this table depending on factors such as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Zooga Studio.

Landlords may 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 taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the property, 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 region.

If you choose to purchase real property on which to build your Zooga Studio, your initial investment will be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

5. *Leasehold Improvements.* The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out a Zooga Studio and the cost of leasehold improvements. The low estimate is based on $10 per square foot and the high estimate is $68.75 per square foot. These figures do not take into account any tenant improvement allowance and includes building and occupancy permits. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials and whether you must use union labor. These costs may also vary depending on whether certain of these costs will be incurred by the landlord.

6. *Signage.* These amounts represent your cost for your interior and exterior signage, window graphics and installation. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

7. *Furniture, Fixtures & Décor.* You will need furniture including cubbies, chairs, filing cabinet, small refrigerator, retail merchandise shelving, bulletin board, reception desk, changing table, lobby area benches with shoe bench inserts, shelving units, moving carts and dispensers for toilet paper, paper towels, hand sanitizer, diaper pail, trash cans, yoga mat baskets or holder, etc.

8. *Yoga Teaching Equipment and Miscellaneous Equipment.* Our estimates include: yoga blankets, blocks, straps, folding tables and chairs, projection screen, projector, props and other items used during yoga classes and special events. Items such as music shakers, scarves, animal tails, tiaras, scarves, chimes, butterfly, wings, wrist ribbons, pom-poms, etc., mats, a video surveillance system, sound system, phones, refrigerator, microwave, water cooler, coffee system, various hand tools, vacuum, floor steamer, broom, dust pan and indoor entrance mats and outdoor scraper mats.

9. *Computer Equipment.* You must purchase the computer system and laptop, including hardware components and certain software including MindBody receipt printer, credit card swiper and scanner, multi-function printer, wireless router, iMac (21.5", 2.9 GHz), 2 iPods, 1 iPad, stand, extra cords and generic cash drawer (Low). The high estimate includes the equipment for the low estimate but also includes 2 iPads (replacing the 2 iPods and 1 iPad for the low investment), stands and extra cords and MindBody cash drawer (see Item 11).

10. *Office Equipment & Supplies.* Our estimate includes basic office equipment and supplies.

11. *Initial Inventory.* Our estimate includes paper supplies, cleaning supplies, desk calendar, clip boards for waivers, sign-in book/sheets, gift cards, arts & crafts supplies, birthday party supplies and party extras, water cooler, 5-gallon water bottles and trash bags and other items for your studio.

12. *Initial Retail Inventory.* Initial purchase of items from us or our Operating Affiliate to be sold at retail from your Zooga Studio.

13. *Uniforms.* Staff t-shirts (estimated at $14 per shirt).

14. *Permits and Business Licenses.* Our estimate includes the cost of obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on the location of your Zooga Studio. You should consult the appropriate governmental authority concerning the availability of required licenses and the associated expenses for your Zooga Studio before you sign a Franchise Agreement.

15. *Professional Fees.* We strongly encourage you to retain an attorney and an accountant to assist you with evaluating this franchise offering. Your advisor may also assist you with negotiating your lease or purchase agreement for the approved location, and with forming a corporate entity to own the franchise, if you choose to do so. Professional Fees in the Area Development chart above reflects additional legal costs you may incur as a result of signing an Area Development Agreement.

16. *Insurance*. You must have the insurance that we specify for your Zooga Studio at all times during the term of your Franchise Agreement. Our insurance requirements are included in Item 8. The estimate accounts for the first quarterly premium with an estimated allocation for workman's compensation coverage.

17. *Training Expenses*. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for the first three trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. The lower end of our estimate assumes that the trainees live within driving distance of our training facility.

18. *Initial Marketing Expenditures*. You must conduct an initial marketing campaign to promote the opening of your Zooga Studio. Your initial marketing campaign includes a "coming soon" banner for your Franchised Business once you have obtained the approved location by lease or sublease, direct mail campaigns and similar promotional activities. We must approve of your initial marketing campaign, and your campaign must be conducted in the period that includes 2 weeks before and 4 weeks after opening of your Zooga Studio. At our request, you must give us the money for your initial marketing campaign and we will conduct the campaign on your behalf.

19. *Equipment & Décor*. Includes the animal graphics (high estimate assumes two rooms, two sets of graphics), rental mats, cd's and any other proprietary items to be used in teaching classes (i.e. egg shakers, yoga mats, play mats, bubbles, pose cards, etc.).

20. *Third Party Training Expense*. The low estimate only provides for CPR/First Aid training course for 3 persons. High estimate also includes cost for 2 day QuickBooks class (1 person). This estimate is for the classroom program and the franchisee incurs travel costs.

21. *Tools*. Includes basic tool kit, cordless drill, small ladder and basic paint supplies.

22. *Software License Expense*. Includes Mindbody ($175 month), Healcode ($25 month), Listen 360 ($25 month), Phone App ($45 month), QuickBooks ($50 month) and Qvinci ($150 annually). Three months of license fees and Qvinci annual paid in full.

23. *Stationary & Initial Marketing Material Package*. Business cards and initial inventory of promotional materials (flyers, postcards, etc.).

24. *Additional Funds*. You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the risks and contingencies of the Zooga Studio at least 3 months. The estimates provided above include 3 months of inventory (including initial retail inventory), facility expenses, opening cash, and other required expenses through the first three months of operations. These estimates do not take into account payroll costs, Royalty Fees, Brand Development Fees or other continuing fees payable to us, the finance charges, interest and related costs you may incur if any portion for the initial investment is financed or all other recurring monthly operating expenses, and does not include any revenue that your Zooga Studio may earn in the first three months of operation. These amounts are the minimum recommended levels to cover operating expenses. However, we cannot guarantee that those amounts will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. These amounts are estimates only and we cannot guarantee that you will not have additional expenses starting your business. Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (such as the local market for our products or services), the prevailing wage rate, competition and the sales level reached during the initial period. Your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The disclosure laws require us to include this estimate of all costs and expenses to operate your Zooga Studio during the "initial phase" of your business, which is defined as a 3 month period or longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for the children's yoga industry, so our disclosure covers a 3 month period.

25. *Totals.* We relied on our Operating Affiliate's experience in operating a Zooga Studio since 2012 to prepare these estimates, and on our franchisee's experience if and to the extent that it has shared this information with us. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

26. *Initial Investment 1st Zooga Studio.* The Initial Investment for 2 Zooga Studios is taken from the first chart in Item 7, entitled Estimated Initial Investment, Single Zooga Studio.

None of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate your Zooga Studio in strict conformity with our methods, standards and specifications, as set forth in the Confidential Operations Manual ("Manual") or otherwise in writing. You must refrain from deviating from these methods, standards and specifications without our prior written consent. We may revise the contents of the Manual, and you must comply with each new or changed standard and specification. You must at all times make sure that your copy of the Manual is kept current and up to date. We may provide the Manual in hard copy or electronically, such as by CD-ROM or by a password-protected website.

Franchisees are required to provide approved programs, classes and events at locations other than the Zooga Studio, provided the off-site location is within their territory. This will allow franchisees to provide private classes at a customer's residence, special events and programs at an appropriate facility or possibly at an off-site location to handle the demand for classes if necessary. You are prohibited from selling products through any means other than from your Zooga Studio location. You must maintain in sufficient supply (as we may prescribe in the Manual or otherwise in writing), and use at all times, only the products and supplies purchased from suppliers designated or approved by us, and any other materials, paper goods, fixtures, furnishings, equipment, signs and other items as conform with our standards and specifications, and not deviate from those standards and specifications by the use of non-conforming items, without our prior written consent. You must sell and offer for sale only those programs, products and services that we have expressly approved for sale in writing and in the manner and style we require. You must discontinue offering for sale any programs, products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. A complete list of our approved products and suppliers will be included in the Manual and is subject to change over time. We will provide you notice in the Manual or otherwise in writing (such as via e-mail) of any changes to the lists of approved products and approved suppliers.

You must purchase and install, at your expense, all fixtures, furnishings, equipment (including computer hardware and software), décor and signs as we may reasonably direct; and you must not, without our prior written consent, install or permit to be installed any fixtures, furnishings, equipment (including computer hardware and software), décor, signs or other items not previously approved as meeting our standards and specifications. There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier.

Currently, we are the sole approved supplier that must approve all programs, classes, events, music, props and retail items offered through the franchisee's business. You must purchase logo'ed retail items, décor items, yoga teaching supplies and equipment from us, our affiliate or approved supplier and we reserve the right to earn a profit from the sale of these items to our franchisees. During the fiscal year ending December 31, 2017, we did not earn any revenues from franchisees' purchases or leases of required products/services. For the fiscal year ended December 31, 2017, our Operating Affiliate's revenues from franchisees' purchases or leases of required products/services were $9,328.92, or 2.1% of our Operating Affiliate's total revenues of $449,496.80, based upon our Operating Affiliate's unaudited statement of operations. Antonia King owns an interest in us and our Operating Affiliate. None of our officers has an ownership interest in any other approved supplier.

You must use the suppliers we designate for your music subscription service, background checks on your employees, and the required video surveillance. You must also make sure that we have access to your video surveillance feed and/or records. You must select a site that you propose to use for your Franchised Business and you must submit to us all information we require to evaluate the site you propose. You may not obtain the site (by lease, sublease or purchase agreement) until the site has been approved by us. We reserve the right to review any lease, sublease or purchase agreement for the approved site before you sign it. At our request, you and your landlord must sign our form of Collateral Assignment of Lease, attached to the Franchise Agreement as Exhibit D. You may not open your Franchised Business until we have approved it for opening.

Any advertising materials that you have had prepared for you, or that we have not approved within the most recent 12 month period, and that you wish to use to promote your Zooga Studio must be submitted to us for our approval before the materials may be used. You may not use any advertising materials that we have not approved.

If you wish to purchase, lease or use any products or other items, or purchase from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered either to us or to an independent laboratory for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. You or the supplier must reimburse our costs for our evaluation of the proposed product or supplier (up to $750), but if we approve the product or supplier for the System we will waive or refund (if paid) our fee. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you within 30 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier. We are not required to make available to you or to any supplier the criteria for product or supplier approval that we deem confidential. You will not be permitted to sell any products (e.g. apparel, mats, cd's, books, etc.) at wholesale.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. We do not provide any material benefit to franchisees for use of approved suppliers. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which you must participate.

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 Zooga Studios in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may 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 have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliates, based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our affiliates will have all of your right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). During the fiscal year ended December 31, 2017, we did not earn any Allowances.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 50% to 60% of your total purchases in establishing your Zooga Studio, and approximately 40% to 50% of your total purchases in the continuing operation of your Zooga Studio.

When determining whether to grant new or additional franchises we consider many factors, including compliance with the requirements described above.

Insurance

You must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Business. All policies must be written by a responsible carrier or carriers that we determine to be acceptable and that are rated at least "A" with A.M. Best, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manual. Each policy must provide us with 30 days' advance notice of any change to or cancellation of the policy. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Zooga. If we do so, we may require that you obtain your insurance through the designated carrier(s).

As of the date of this Disclosure Document, you must have the following insurance coverages: (1) public/general liability insurance, including child molestation coverage, in the amount of $1,000,000 per occurrence, $3,000,000 aggregate and $100,000 damage to rented premises per occurrence; (2) personal and advertising injury coverage with limits of $1,000,000 per occurrence and $10,000 per person medical benefits; (3) products/completed operations coverage of $1,000,000 aggregate; (4) property damage insurance including all perils coverage to personal property with a minimum amount of $50,000; (5) automobile insurance for any owned, non-owned or hired vehicles, and including uninsured/underinsured motorist coverage, as required by the state in which the Franchised Business is located; (6) business interruption insurance to cover lost income for up to 12 months; (7) money and securities insurance of not less than $10,000 per occurrence inside and $1,000 per occurrence outside; (8) workers compensation and employer liability insurance in the amounts required by the state in which the Franchised Business is located; and (9) any insurance required by the terms of your lease or that we may require in the future. None of your insurance policies should have a deductible of greater than $1,000.

We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes.

Your insurance policies must be issued by an insurance company licensed to do business in the state where your Franchised Business is located. Not later than 30 days before your Franchised Business opens, you must provide us with a certificate of insurance showing that you have obtained all required insurance coverages, and you must provide us with updated certificates of insurance when policies are renewed. If you do not obtain the insurance coverages that we require we may, but are not obligated to, obtain insurance on your behalf. If we do this, you must reimburse our expenses plus a 10% administrative fee.

Credit Cards. You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with the operation of your Zooga Studio, you are required to maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

MindBody. You must use the business management services of MindBody, Inc. ("Mindbody") or another business management services provider we designate. You must agree to abide by Mindbody's terms of service when you sign the Franchise Agreement. There are no other approved suppliers of these services. We can monitor your activity through MindBody's software.

Neither we, nor our affiliates are approved suppliers of these services, nor do we receive any material benefit from your subscription in these services. Neither we nor any of our officers or affiliates own an interest in Mindbody, Inc.

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 this disclosure document.

Obligation	Article/Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/ lease	FA: 4; ADA: 5.2	Items 7, 8 and 11
(b) Pre-opening purchases/leases	FA: 4; ADA: 5	Items 5, 7 and 11
(c) Site development and other pre-opening requirements	FA: 4; ADA: 6.1	Items 8 and 11
(d) Initial and ongoing training	FA: 5	Items 5, 6, 7 and 11
(e) Opening	FA: 4.7	Item 11
(f) Fees	FA: 4.8, 10, 12, 16, 17 and 19; ADA: 4 and Exhibit A	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/operating manual	FA: 5.5 and 11.5	Item 11
(h) Trademarks and proprietary information	FA: 6, 7, and 8	Items 13 and 14
(i) Restrictions on products/services offered	FA: 11.2, 11.3,	Items 8 and 16
(j) Warranty and customer service requirements.	Not applicable	Not applicable
(k) Territorial development and sales quotas	ADA: 2.1 and Exhibit A	Item 12
(l) On-going product/service purchases	FA: 11.2, 11.3 and 11.4	Item 8
(m) Maintenance, appearance and remodeling requirements	FA: 4.10, 11.1, 11.5 and 11.6	Item 6
(n) Insurance	FA: 11.9	Items 6 and 8
(o) Advertising	FA: 4.8, 12.2, 12.3, 12.4, 12.5, 12.6 and 12.7	Items 6, 8 and 11
(p) Indemnification	FA: 6.5 and 15.4	Item 6
(q) Owner's participation/ management/ staffing	FA: 11.8	Items 11 and 15

Obligation	Article/Section in Agreement	Disclosure Document Item
(r) Records and reports	FA: 13.1, 13.2, 13.3 and 13.4	Item 11
(s) Inspections and audits	FA: 14.1 and 14.2	Items 6 and 8
(t) Transfer	FA: 16; ADA: 9	Items 6 and 17
(u) Renewal	FA: 17; ADA: 2.6	Items 6 and 17
(v) Post-termination obligations	FA: 19; ADA 12	Item 17
(w) Non-competition covenants	FA: 9, 16.3 and 19.4; ADA 13	Item 17
(x) Dispute resolution	FA: 20; ADA 15	Item 17
(y) Liquidated damages	FA: 19.7	Item 6

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

Except as listed below, Zooga Yoga Enterprises, Inc., is not required to provide you with any assistance.

Pre-Opening Obligations

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

1. **Site Selection Assistance**. You are solely responsible for selection of the site of your Zooga Studio, which will be subject to our review and acceptance. We may, without obligation, assist you in locating a site. Currently, our fee for this assistance is up to $300 per day plus expenses. You may not construe any assistance we may provide, or our acceptance as a guarantee or other assurance that the site will be successful. You must submit to us the information we require, including demographic, commercial, and other information and photographs, for the site at which you propose to establish and operate the Zooga Studio. In approving or disapproving any proposed site, we will consider the matters we deem material, such as demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area (including other Zooga Studios), the number of households, income levels, population, the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site. If you do not sign a lease within 5 months after you sign the Franchise Agreement, we may terminate the Franchise Agreement or we may provide you with an extension of this timeframe. (**Franchise Agreement, Section 4.1.**).

2. **Lease or Purchase Agreement**. We will approve a lease or purchase agreement for the approved site, if the lease or purchase agreement meets our criteria. If we do not notify you of our approval or disapproval a proposed lease or purchase agreement within 15 days, it shall be deemed approved. (**Franchise Agreement, Section 4.2**). At our request, you must have your landlord sign a Collateral Assignment of Lease, in the form attached to the Franchise Agreement as Exhibit D. We also reserve the right to lease the premises, either directly or through an affiliate, and then sublease the premises to you.

3. **Design & Layout Plans**. Before the renovation or construction of the Zooga Studio, we will provide you with copies of our specifications for the design and layout of your Zooga Studio and the required fixtures, equipment, furnishings, decor, trade dress and signs as set forth in the Manual. You must construct, equip and improve your Franchised Location and the Zooga Studio according to these standards and specifications, unless we agree, in writing, to any modifications. You will submit all plans, and modifications and any revisions to us for our prior review and acceptance before you begin construction. (**Franchise Agreement, Section 4.3**).

4. **Manual**. After you sign your Franchise Agreement, we will loan you one copy of or provide you with electronic access to our Manual to use during the term of the Franchise Agreement. The Manual contains our standard operational procedures, policies, rules and regulations with which you must comply. (**Franchise Agreement, Section 5.5**).

5. **Training**. Train up to three people in the operation of your Zooga Studio. We describe our training programs in more detail in the Manual. We will also provide one of our representatives to assist with opening your Zooga Studio for up to 5 days. If you request additional days of opening assistance, you must reimburse our representative's expenses, including travel, lodging and meals. If you are opening your second or later Zooga Studio, we reserve the right to not provide opening assistance. In addition, Zooga also offers a program to teach individuals to become a children's yoga teacher. It will continue to provide this training but the program offered to non-franchisees will be scaled back and generic, not teach proprietary methods that we have developed over the years and will simply be referred to as children's yoga teacher training. The program provided to franchisees and their lead teachers (or other teachers if requested by a franchisee or required by Zooga Yoga Enterprises, Inc.) will be referred to as Zooga Yoga University. (**Franchise Agreement, Section 5.1**).

At the time you sign each Franchise Agreement under an Area Development Agreement, you must locate sites for your Zooga Studios. We must approve the site and our then-current standards for Zooga Studio sites will apply. After you have located a site, you must submit it to us for our review and request us to consider and approve the site. Following receipt of our acceptance of a site, you must negotiate a lease or purchase agreement for the site and submit a copy to us. (**Area Development Agreement, Section 5.2**). We will then give you execution copies of our then-current Franchise Agreement for the proposed location. You must return the signed Franchise Agreement to us within 30 days after you receive the execution copies of the Franchise Agreement. (**Area Development Agreement, Section 5.2**). You may not enter into any Lease for a site unless and until we have approved the site and the Lease in writing. (**Area Development Agreement, Section 5.2**).

Post-Opening Obligations

During the operation of your Zooga Studio, we will do the following:

1. Furnish guidance to you with respect to: (i) specifications, standards and operating procedures utilized by Zooga Studio and any modifications of them; (ii) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; (iii) development and implementation of local marketing and promotional programs; (iv) administrative, bookkeeping, accounting, inventory control, and general operating and management procedures of Zooga Studio; and (v) establishing and conducting employee training programs at your Franchised Business. This guidance will be furnished in the form of the Manual, bulletins, written reports and recommendations, other written materials (including e-mail), refresher training programs and/or periodic telephonic consultations, consultations at our offices. We may provide additional training and assistance on-site at your Zooga Studio at your request or if we determine that additional training or assistance is necessary. You must pay our then-current per diem fee for each trainer we send to you, and you must reimburse our trainers' expenses, including travel, lodging and meals. We may also provide periodic refresher training. We will have ongoing teacher trainings and periodic updates for business trainings/updates with Mindbody, etc. Mindbody holds annual University and Bold conferences that we recommend you attend. (**Franchise Agreement, Sections 5.1 and 5.2**).

2. License to you the right to use the Marks and certain copyrighted works and will indemnify you from certain claims relating to your use of the Marks as more fully described in Items 13 and 14. (**Franchise Agreement – Sections 6 and 7**).

3. Maintain the Brand Development Fund. (**Franchise Agreement, Section 12.1**).

4. Designate the minimum and/or maximum prices that you may charge for the products and services offered at your Zooga Studio, where permitted by applicable law. (**Franchise Agreement, Section 11.4**). We do not guarantee that by following our pricing requirements you will earn any particular level of revenue.

5. Provide you with one day of on-site training, at no additional cost to you, within your first 60 days of operation, the timing of which will coincide with the day of a birthday party or Kid's Night Out. (**Franchise Agreement, Section 5.1**).

6. Hold a meeting for our franchisees. This meeting will be held when we believe it will be beneficial to the franchisees in the System and will not be held more frequently than annually. (**Franchise Agreement, Section 5.3**).

7. We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Manual or otherwise in writing. (**Franchise Agreement, Section 5.6**).

Brand Development Fund

You must pay 1% of your Gross Sales to the brand development fund each month (referred to as the "**Fund**") for brand development, advertising, marketing and public relations programs that we believe are necessary or appropriate to promote Zooga Studios. The advertising coverage conducted by the Brand Development Fund will typically be regional and national in nature. Zooga Studios owned and operated by us or our affiliates will contribute to the Fund on the same basis as our franchisees. (**Franchise Agreement, Section 12.1.1**).

We will direct all advertising and public relations programs financed by the Fund with sole discretion over the creative concepts, materials, and endorsements it uses, and the geographic, market, and media placement and allocation of it. The Fund may be used to pay the costs of developing marketing ideas and concepts; developing market research and merchandising programs; preparing marketing campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements; preparing public relations campaigns; providing technical and professional advice in connection with any of the above; and placement of advertising. We may also use a portion of the Fund to support our website, including webpages for our franchisees and social media initiatives. We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee). The Fund and its earnings will not otherwise benefit us. Any Zooga Studios operated by us or our affiliates will contribute to the Brand Development Fund generally on the same basis as you. We are not obligated to spend any amount on advertising in your area or territory separate from the Brand Development Fund. (**Franchise Agreement, Section 12.1.2 (b)**).

You must participate in all advertising and public relations programs conducted by the Fund. The Fund may furnish you with samples of certain marketing, advertising and promotional formats and other such materials without charge. We may spend any contributions to the Fund on advertising that is a solicitation of new franchisees. (**Franchise Agreement, Section 12.1.2 (c)**).

The Fund will be held in an account separate from our general funds. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Zooga Studios to the Fund in that year and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. Any money remaining in the Fund at the end of any year will carry over to the next year. We will prepare, and furnish to you upon written request, an annual, unaudited statement of money collected and costs incurred by the Fund. (**Franchise Agreement, Section 12.1.2 (d)**).

You authorize us to collect for payment to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases from that supplier. Any advertising or promotional monies or credits we collect from any supplier based upon your purchases from that supplier will not count toward your required payment of the Brand Development Fee.

We may have the Fund incorporated or operated through an entity separate from us at any time we deem appropriate, and the successor entity will have all our rights and duties as described in this section and in the Franchise Agreement.

The Fund is intended to maximize recognition of the Marks and patronage of Zooga generally. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising, to benefit all Zooga Studios, we have no obligation to make sure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Zooga Studios operating in that geographic area, or that any Zooga Studio will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive this benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Zooga Studio in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund. (**Franchise Agreement, Section 12.1**).

We have the right to terminate the Fund at any time. We will not terminate the Fund until all money in the Fund has been spent for advertising and promotional purposes. If we choose to terminate the Fund, we also have the right to reinstate it at any time, and any reinstated Fund will be maintained as described above.

During the fiscal year ended December 31, 2017, the Fund was spent as follows: 95% on digital media and 5% on print advertising.

The Area Development Agreement does not impose any obligation to spend any money on marketing in addition to any money you may have to spend under your Franchise Agreement.

Initial Marketing Campaign

Beginning two weeks before a franchisee's Zooga Studio is scheduled to open and for four weeks after commencing operations, franchisees will be required to spend $1,500 on initial launch marketing and promotions in their local market. Your initial marketing campaign includes a "Zooga Coming Soon" banner for your Franchised Business once you have obtained the approved location by lease or sublease, your initial launch campaign can include a free birthday party, free classes offered during the first week after opening, free school demos, free mom's group demos, a public relations campaign, a direct mail campaign, a Living Social promotion, a possible Groupon promotion, Class Pass promotion, search engine optimization and pay-per-click advertising and similar promotional activities. We must approve your initial marketing campaign. At our request, you must give us the money for your initial marketing campaign and we will conduct the campaign on your behalf. (**Franchise Agreement, Section 4.8**).

Local Marketing

You must conduct local marketing and promotional programs in your territory to promote your Zooga Studio. You must spend at least $300 each month. You must provide us with a report semi-annually detailing your local marketing activities. The information we may request includes verification copies of your advertising and copies of bills for expenses related to a promotional party. (**Franchise Agreement, Section 12.2.1**).

The amounts you spend for local marketing and promotion do not include any reimbursed expenses or direct expenses made by a supplier of your Zooga Studio, nor do they include any dues you pay for your local Chamber of Commerce and other community organizations you join to promote your Franchised Business. (**Franchise Agreement, Section 12.2**).

Any advertising or marketing materials you propose to use that have been prepared by or for you, or that we have not approved in the immediately preceding 12 month period, must be submitted to us and receive our approval before you may use the materials. The proposed materials must be submitted to us not later than 14 days before you intend to use them. If we do not disapprove of the proposed materials within 7 days after we receive them, they are deemed approved. Any advertising or promotional materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. (**Franchise Agreement, Section 12.2.3**).

We are not obligated to spend any amount on advertising in your area or territory. (**Franchise Agreement, Section 12.1.2 (h)**).

At our request, you must include certain language in your local advertising, including "Franchises Available" and our website address and telephone number. (**Franchise Agreement, Section 12.2.3**).

Marketing Cooperatives

We may designate any geographic area in which two or more Zooga Studios are located as an area for purposes of establishing a marketing Cooperative, or we may approve of the formation of a marketing Cooperative by our franchisees. The members of the Cooperative for any area will consist of all franchised Zooga Studios, including Zooga Studios operated by us or our affiliates. We have the right to form, dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering marketing programs for Cooperative members and developing, subject to our approval as described above, promotional materials for use by the members in local marketing. If a Cooperative has been established for a geographic area where your Zooga studio is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. You will not have to participate in more than one Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Zooga Studio will be located will be provided to you if you request them. Any amount you contribute to a Cooperative will be credited against your obligation to pay for local marketing; provided, however, that if any amount you contribute to a Cooperative is less than the amount you are required to expend for local marketing, you will spend the difference locally. (**Franchise Agreement, Section 12.3**).

Each member's contributions to a Cooperative will not be more than one-half of its local marketing requirement. Any contributions you make to a Cooperative will count toward your local marketing requirement, but if the amount you contribute to a Cooperative is less than the amount you must spend on local marketing, you must still spend the difference locally. All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. The Cooperative is not required prepare an annual financial statement. Each Zooga Studio has one vote in the cooperative, regardless of the number of Zooga Studios owned by one franchisee. A maximum of <u>half</u> of the local advertising requirement be required to be spent in the cooperative unless a majority of the cooperative votes to increase the requirement. Zooga Yoga Enterprises, Inc. will assist in developing the cooperative with the proviso that one franchised unit equals one vote in the cooperative. (**Franchise Agreement, Section 12.3**).

Currently there are no Cooperatives in the System.

Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by Zooga Studios, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed it will act solely in an advisory capacity and will not have decision-making authority. We will have the right to form, change, merge or dissolve any advisory council. The advisory council will include our representatives and franchisee representatives, and all representatives will be chosen by us. If you participate in an advisory council, you will pay any expenses you incur related to your participation, which may include travel, lodging and meals expenses if you must travel to attend council meetings. We do not anticipate forming an advisory council before we have 15 to 20 franchisees in the System. (**Franchise Agreement, Section 12.7**).

Website / Intranet

We alone may establish, maintain, modify or discontinue all Internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Zooga Studio a "click through" subpage at our website for the promotion of your Zooga Studio. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Zooga Studio, you must routinely provide us with updated copy, photographs and news stories about your Zooga Studio suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage. (**Franchise Agreement, Section 11.12**).

Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products and services available at Zooga Studios – also be devoted in part to offering Zooga Studio franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve. (**Franchise Agreement, Section 11.12**).

In addition to these activities, we may also establish an Intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the Internet or any other mode of electronic commerce in connection with your Zooga Studio; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "Zooga Yoga" name or any name confusingly similar to the Marks. (**Franchise Agreement, Section 11.12**).

You are not permitted to promote your Zooga Studio or use any of the Marks in any manner on any social or networking websites, such as Facebook, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System Standards regarding the use of social media in your Zooga Studio's operation, including prohibitions on your and your employees posting or blogging comments about the Zooga Studio or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, Instagram and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf. (**Franchise Agreement, Section 11.12**).

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage. We reserve the right, at any time, to revoke your ability to use social media and/or to maintain a social media website. (**Franchise Agreement, Section 11.12**).

Computer System

You must purchase and use certain computer hardware and software, including point of sale systems, that meet our specifications and that are capable of electronically interfacing with our computer system. The computer system is used to collect and monitor point of sale information, membership/customer database (including tracking memberships), to create business reports and for scheduling, and may be used to collect and monitor inventory control and shrinkage, payroll and accounting information, and credit card processing. (**Franchise Agreement, Section 13.1**).

The computer system must allow us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed Internet connection (such as T-1, DSL or cable modem) in accordance with our specifications to permit us to access the point of sale (or other computer hardware and software) at your Franchised Business premises as described above. This will permit us to electronically inspect and monitor information concerning your Zooga Studio's Gross Sales and any other information that may be contained or stored in the computer system, including the ability to review your video surveillance. You must make sure that we have independent access at the times and in the manner we specify, at your cost. Your membership/customer database will at all times remain our property. (**Franchise Agreement, Sections 11.15 and 14.1**).

You must purchase Apple products (desktop, 2 iPods, 1-2 iPads), with QuickBooks, Office, Photoshop and Mindbody. Zooga uses the Mindbody software platform that allows clients to enroll in classes via their computer and we have developed apps that allow clients to enroll using their smart phones (both Android and iPhone). (**Franchise Agreement, Section 4.5**).

All clients must fill out a waiver of liability form (whether for themselves or a minor) before participating in a class. Our specific requirements for the computer system will be included in our Manual. You must purchase the computer system from any authorized seller, unless we designate a specific supplier. We expect that the computer system will cost approximately $4,448 to $4,687 including initial software licenses.

We recommend, but do not require, that you purchase a maintenance contract for your computer system, and if you do this we estimate it will cost up to $1,000 per year. You must obtain all software updates that we require, and we estimate that the cost of software updates and/or subscriptions will cost approximately $300 annually. You must also use a computer back-up service.

All software used with the computer system must be kept up to date. In addition, we may require you to update and/or upgrade all or a portion of your computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours will provide you with any updates, upgrades or maintenance for your computer system. We reserve the right to change the designated computer system in the future and you must comply with any change we require. (<u>**Franchise Agreement, Section 14.1**</u>).

You must obtain and maintain a high speed Internet connection at all times for your computer system and clients. It will be a material default under the Franchise Agreement if you do not maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement. We must have access at all times and in the manner that we specify.

<u>**Site Selection and Opening**</u>

You must select the site for your Zooga Studio, and you must obtain our written acceptance of any proposed site in accordance with our procedures. You must submit the information and materials as we may reasonably request for each proposed site. Your protected territory will contain at least 10,000 children ages 14 years and younger at the time the franchise agreement is granted and may be defined using a number of factors including but not limited to: demographic characteristics of the proposed site, predominant character of the neighborhood, median household income, number of households, median home value, man-made or natural boundaries, population, zip codes, city or county boundaries, traffic patterns, parking, competition from other businesses providing similar services within the area (including other Zooga Studios), the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site or other factors that we deem important. (<u>**Franchise Agreement, Section 3.2**</u>).

We will make exceptions to a protected area for captive locations such as college campuses, military bases, shopping malls that contain at least 400,000 square feet of leasable space, or any facility that could be considered a "captive market".

You must submit information and materials for the proposed site to us for approval no later than 90 days after you have signed the Franchise Agreement. We will have 30 days after we receive this information and materials from you to approve or disapprove the proposed site as the location for your Zooga Studio. If we do not provide our specific approval of a proposed site, the site is deemed not approved. We do not guarantee that your Zooga Studio will be successful at any site that we approve. Our approval only means that the site meets our requirements for a Zooga Studio. We also reserve the right to approve your lease. (<u>**Franchise Agreement, Sections 4.1.1 and 4.1.2**</u>).

We generally do not own the premises and lease it to you. We reserve the right to sublease a location to you and charge a premium on the lease rate to cover administrative costs and the impact of carrying the lease liability on its balance sheet.

We estimate that the time from when the Franchise Agreement is signed to the opening of the Zooga Studio will be approximately 3 to 8 months. In the event that you come to us with an accepted location at hand, you will have 3 months to open your Zooga Studio after the execution of the Franchise Agreement. This time may be shorter, depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Zooga Studio, 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 Zooga Studio, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Zooga Studio, including purchasing inventory and supplies. However, if you have a site that we approved when you executed the Franchise Agreement, this time cannot be longer than 3 months from the time you executed the Franchise Agreement. You must open your Zooga Studio and begin business not later than 3 months after we have approved the location you select or 3 months after you sign the lease for the approved location, whichever occurs first. If you are unable to open your Zooga Studio within the required timeframe, we have the right to terminate your Franchise Agreement or we may provide you with an extension of this timeframe. You may not open your Zooga Studio for business until we have approved you to do so. If we cannot agree on a proposed site, we may elect to terminate the Franchise Agreement and keep the entire initial franchise fee. (**Franchise Agreement, Section 4.7**).

When you locate a proposed site for a Zooga Studio, you must submit all demographic and other information regarding the proposed site and neighboring areas that we require, in the form we prescribe. If we accept a proposed site, we will notify you or our acceptance of the Franchised Location. You acknowledge and agree that it is your sole responsibility to identify and obtain each Franchised Location for the Zooga Studios to be developed under the Area Development Agreement. We must approve the site and our then-current standards for Zooga Studio sites will apply. Following receipt of our acceptance of a site, you must negotiate a lease or purchase agreement for the site and submit a copy to us. (**Area Development Agreement, Section 5.2**). We will then give you execution copies of our then-current Franchise Agreement for the proposed location. You must return the signed Franchise Agreement to us within 30 days after you receive the execution copies of the Franchise Agreement. (**Area Development Agreement, Section 5.2**). Each Lease must comply with the requirements set forth in ur then-current Franchise Agreement. (**Area Development Agreement, Section 5.2**).

You must sign our then-current Franchise Agreement and pay us our then-current initial franchise fee for each additional Zooga Studio you will open in the Development Area. (**Area Development Agreement, Section 2.6.1**).

You shall, at all times during the Term, exert your best efforts to faithfully, honestly and diligently develop, Open and operate the number of Zooga Studios in the Development Area in order to satisfy the Development Obligation and the Development Schedule in the Area Development Agreement and each Franchise Agreement for each Zooga Studio. (**Area Development Agreement, Section 6.1**).

Training

No later than 30 days before the date your Zooga Studio begins operation, you, your lead teacher and your designated manager (if applicable) (for a maximum of three people at no cost) must attend and complete, to our satisfaction, our mandatory initial training program. Additional trainees can attend for a fee. Training will be conducted at our headquarters in Culver City, California, at an operating Zooga Studio, or at another location we designate. (**Franchise Agreement, Section 5.1.1**).

All franchisees, lead teachers and designated managers will be required to attend and successfully complete the initial training course to our satisfaction. The maximum duration of the initial training program will be up to 10 days and includes up to 5 days of Zooga University training, which will include a dance and mommy and me yoga section. Franchisees and designated managers will attend a separate initial training program of up to 7 days from the lead teacher. The lead teacher's initial training program will encompass both phases of Zooga University and that person will also observe actual classes and teach classes at the Zooga Studio under the guidance of a representative of the franchisor. Prior to attending the initial training program, all participants are required to read the Manual and other required reading. (**Franchise Agreement, Section 5.1.2**).

Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement lead teachers or designated managers and other personnel needing training, the number of new Zooga Studios being opened and the timing of the scheduled openings of Zooga Studios. There is currently no set schedule for providing our training program. We may train more than one franchisee and their staff at the same training session.

We will provide instructors and training materials for the initial training of you, your designated manager and lead teacher at no additional charge, but you must pay the expenses incurred by you, your designated manager, and lead teacher while attending training. If we approve, you may also have additional personnel trained by us for your Zooga Studio, at your expense. We reserve the right to charge a tuition fee for each additional trainee and to accommodate these additional trainees as space will allow. This fee is currently set at $200 per person per training day but this fee may increase over time. (**Franchise Agreement, Sections 5.1.1 and 5.1.3**).

You, your designated manager and lead teacher must complete the initial training program to our satisfaction. If you do not satisfactorily complete the initial training program, we will give you an opportunity to retake our training program at your expense. If you do not satisfactorily complete any of the initial training program a second time, we may terminate your Franchise Agreement. (**Franchise Agreement, Sections 5.1.2 and 18.2.1**).

If the lead teacher or designated manager does not satisfactorily complete the initial training program or if we determine that the lead teacher or designated manager cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training, at your expense, before you will be permitted to open your Zooga Studio. Any lead teacher or designated manager subsequently designated by you must also receive and complete the initial training to our satisfaction, even if this requires sending that lead teacher or designated manager to the headquarters training program, at your expense. We reserve the right to charge the then-current fee (currently $200 per person per training day) for the initial training we provide to a replacement or successor employee if we have not approved you to provide the training. You must also pay for all expenses you, your designated manager and lead teacher incur for any training program, including costs of travel, lodging, meals and applicable wages. (**Franchise Agreement, Sections 5.1.2 and 5.1.3**).

The franchise fee covers the training fee for up to three individuals attending the initial training program at the same time. If a franchisee requests that additional staff attend the initial training program and the franchisor approves this request, Zooga Yoga Enterprises, Inc. reserves the right to charge a tuition fee for each additional trainee and to accommodate these additional trainees as space will allow. This fee is currently set at $200 per person per training day but this fee may increase over time. (**Franchise Agreement, Section 5.1.1**).

For the opening of your Zooga Studio, we will provide you with one of our trained representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you for up to 3 days around your Zooga Studio's opening. If you request or we require additional days of on-site opening assistance, you must pay the per diem rate (currently $350) and reimburse our representative's expenses in providing opening assistance, including travel, lodging and meals. In addition to the opening assistance, we will provide you with one day of on-site training, at no additional cost to you, within your first 60 days of operation which coincides with a birthday party or Kid's Night Out. (**Franchise Agreement, Sections 5.1.4 and 5.1.5**).

If, during the term of your Franchise Agreement, you request that we provide additional training on-site at your Zooga Studio, or if we determine that you need additional training or assistance you must pay our then-current per diem fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals. (**Franchise Agreement, Section 5.2**).

Our training program is conducted by our Master Teacher Trainer. The minimum experience of the instructors in the field that is relevant to the subject taught is from 3 to 20 years. The instructional materials used in the initial training include our Manual, marketing and promotion materials, programs related to the operation of the computer system, and any other materials that we believe will be beneficial to our franchisees in the training process.

As of the date of this Disclosure Document, we provide the following training program:

TRAINING PROGRAM

Subject	**Trainee**	**Hours of Classroom Training**	**Hours of On-the-Job Training**	**Location**
General business operations	Owner/ Manager	2-3 days	1-2 days	Culver City or Franchisee's location to be determined by Franchisor
Mindbody Training	Owner/ Manager	1-2 days	1-2 days	Culver City or Franchisee's location to be determined by Franchisor
Management Training	Owner/ Manager	1-2 days	1-2 days	Culver City or Franchisee's location to be determined by Franchisor

Subject	Trainee	Hours of Classroom Training	Hours of On-the-Job Training	Location
Desk Training	Owner/ Manager	1-3 days	1-2 days	Culver City or Franchisee's location to be determined by Franchisor
Events trainings	Owner/ Manager /Lead Teacher	2 hours	2 days	Culver City or Franchisee's location to be determined by Franchisor
Hiring Training	Owner/ Manager	3 hours	none	Culver City or Franchisee's location to be determined by Franchisor
Zooga U Training- kids yoga	Owner/ Manager /Lead Teacher	2-3 days	1-3 days	Culver City or Franchisee's location to be determined by Franchisor
Zooga U Training-specialty (dance and mommy & me)	Owner/ Manager /Lead Teacher	1-2 days	1-3 days	Culver City or Franchisee's location to be determined by Franchisor
Total Days of Training		7-15 ½ days	8-16 days	

The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience or individual needs of those persons being trained.

We reserve the right to require you and your supervisorial and managerial employees to attend refresher training at a location determined by us. We may designate that attendance at refresher training is mandatory. We reserve the right to charge a per person fee for refresher training, and you must pay all expenses you and your trainees incur while attending any refresher training courses, including travel, lodging, meals and applicable wages. (**Franchise Agreement, Section 5.3.1**).

We reserve the right to hold a meeting or convention of our franchisees, which may be held on a regional or national basis. We may specify that attendance at any franchisee meeting is mandatory for you and/or your lead teacher or designated manager unless the absence is excused by us. We may use a franchisee meeting to discuss new products or services, to discuss concerns with our franchisees, and/or to provide additional training. We will determine the location of the franchisee meeting, but we will not designate an unreasonably expensive location. We reserve the right to charge a per person fee for the franchisee meeting, and you must pay all expenses that you and your attendees incur, including travel, lodging, meals and applicable wages. We anticipate that any refresher or additional training and franchisee meetings will not total more than 5 days in any calendar year. (**Franchise Agreement, Section 5.3.2**).

If we have designated that attendance at a refresher training program or franchisee meeting is mandatory and you, your lead teacher, or your designated manager do not attend the required refresher training program or franchisee meeting two consecutive times, you will be in default of your Franchise Agreement. You and/or your lead teacher, designated manager must attend any make-up session we designate within 12 months. If you, your lead teacher or your designated manager have a third unexcused absence from a mandatory refresher training program or franchisee meeting, we will have the right to terminate your Franchise Agreement. (**Franchise Agreement, Section 5.3.3**).

Manual

The table of contents to the Manual is attached hereto as **Exhibit G**. The Manual includes approximately 256 pages.

ITEM 12
TERRITORY

Franchise Agreement

Your Franchise Agreement will specify the site that will be the Approved Location for your Zooga Studio. Your Franchise Agreement may also specify a Designated Territory. The size and scope of the Designated Territory will be contained in the Franchise Agreement and will be determined according to the Approved Location.

Your designated territory will contain at least 10,000 children, ages 14 years and younger at the time the franchise agreement is granted and may be defined using a number of factors including but not limited to: median household income, number of households, median home value, manmade or natural boundaries, zip codes, city or county boundaries, traffic patterns or other factors Zooga Yoga Enterprises, Inc. deems important. The Designated Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site.

We expect that Zooga Studios will be located in a facility fit for a Zooga studio but non-traditional sites may also be acceptable. Non-traditional sites include shopping malls, military bases and other mass gathering locations where there is a captive market.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Zooga Studio in your Designated Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below and include non-traditional sites as described above. Your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement.

If, during the term of the Franchise Agreement, you wish to relocate your Zooga Studio, or if your Zooga Studio is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for your Zooga Studio and payment of our relocation fee. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Zooga Studio and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement.

Except as expressly limited by the Franchise Agreement, we and our affiliates retain all rights with respect to Zooga Studio, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant other the right to produce, offer and sell the products offered at Zooga Studio and any other goods through alternative channels of distribution, including Internet, catalog sales, telemarketing or other direct marketing sales, both within and outside the Designated Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate Zooga Studio located outside the Designated Territory under any terms and conditions we deem appropriate and regardless of proximity to your Zooga Studio; and (c) the right to acquire and operate a business with one or more indoor recreation facilities located or operating in your Designated Territory, but if we do acquire this business any facilities located or operating within your Designated Territory will not use the Marks.

You may sell our products and services to customers who live anywhere but who choose to use your Franchised Business. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Territory, and you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory, you may not make any sales or deliver any products to customers located outside of your Designated Territory unless the customer is located in an area where there is not another Zooga Studio in operation. You may not directly solicit customers outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products to any business or other customer at wholesale.

We and our affiliates may sell products and services under the Proprietary Marks within and outside your Designated Territory through any method of distribution other than a dedicated Zooga Studio, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels. Any sales made through our Website will be fulfilled by us or our affiliate and you will not be entitled to any portion of the revenue from these sales, even if the order originates from or is delivered to an address within your Designated Territory. There are no minimum sales amounts, market penetration or other contingency that you must meet to retain your rights to the Territory, but you must comply with your Franchise Agreement, the System and all of our requirements.

Each Zooga Studio offers memberships and pay-as-you-go services. We reserve the right to develop a program where you must honor all Zooga Studio memberships, regardless if the membership was sold at your Franchised Business or at another Zooga Studio in the System. You must participate in any reciprocity program we institute.

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate 2 or more Zooga Studios or more cities, counties, states, or some other defined area. The Development Area will be specified on Exhibit A to the Area Development Agreement. The term of the Area Development Agreement expires 5 years following the effective date of the Area Development Agreement. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Zooga Studio in your Development Area.

We will determine or approve the location of each Zooga Studio under the Franchise Agreement at the time each Franchise Agreement is signed, and our then-current standards for approving sites and determining Designated Territory will apply. You will not receive an exclusive territory. You may face competition from other Zooga Yoga franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate Zooga Studios outside your Development Area, regardless of their proximity to your Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, other than a Competitive Business, under marks and systems different from the Marks and the Zooga Yoga System within and outside your Development Area; (iii) produce, license, distribute and market Zooga® branded products through any outlet, whether inside or outside of the Development Area (regardless of its proximity to the Franchised Location), and through any distribution channel, including by means of the Internet, mail order catalogs, direct mail marketing and other distribution methods; (iv) market on the Internet and use the Zooga Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, marketing, co-branding and other arrangements, and in all other forms of electronic media; (v) to purchase, merge, acquire or affiliate with an existing Competitive Business or franchise network or a non-competitive business or franchise network, chain or any other business regardless of the location of their facilities, and to operate, franchise or license those Competitive Businesses and non-competitive businesses and/or facilities as the Zooga Studios operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which may be proximate to your Zooga Studios; and (vi) own or operate and to franchise or license others to own or operate Zooga Studios at any Non-Traditional Venue within and outside of your Development Area regardless of their proximity to any Zooga Studios developed or under development by you.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Area Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Zooga Studios in the Development Area. The termination of your right to develop Zooga Studios in your Development Area, however, will not terminate any rights granted under your Franchise Agreements then in effect between you and us, absent a breach of your Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional Zooga Studios anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

If you satisfy the Development Obligation and desire to develop, open and operate additional Zooga Studios in the Development Area, you will have the right (the "**Additional Development Rights**") to extend the term of your Development Agreement for an additional 5 years. If you desire to extend the term of your Development Agreement for an additional 5 years, you must notify us in writing (the "**Additional Development Notice**") that you desire to do so and provide us with a proposal for the development and opening of additional Zooga Studios in the Development Area (the "**Additional Development Obligation**"), setting forth the number of additional Zooga Studios you propose to open and the proposed opening dates for each Zooga Studio during the extended term. We may, but have no obligation to, accept your proposed Additional Development Obligation or grant you the Additional Development Rights in our sole discretion.

If we accept the proposed Additional Development Obligation, you and we will sign our then-current form of Area Development Agreement (the "**Additional Area Development Agreement**") for the Additional Development Obligation if, and only if (i) you have fully performed your obligations under your Area Development Agreement and all other agreements between us and are in good standing on the date of the Additional Development Notice and on the date we sign the Additional Area Development Agreement; (ii) you have demonstrated your then-current financial ability to timely implement and complete the Additional Development Obligation; (iii) you continue to operate the aggregate number of Zooga Studios in the Development Area as required by your initial development obligation; (iv) you sign the Additional Area Development Agreement and deliver it to us with the initial development fees payable to us for the Additional Development Rights; and (v) you sign and deliver a general release to us in a form acceptable to us. You must sign our then-current Franchise Agreement and pay us our then-current initial franchise fee for each additional Zooga Studio you will open in the Development Area. If we elect not to grant you the Additional Development Rights, your Area Development Agreement will expire on its scheduled expiration date.

<u>General</u>

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate as established, or presently intends to establish, other franchised or company-owned facilities which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

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ITEM 13
TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks. Our principal trademark is "Zooga". Our Operating Affiliate, Zooga Yoga, LLC, has registered the Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO") as follows:

Mark	Filing Date	Serial Number	Reg. Date	Reg. Number
	November 26, 2012	85787494	July 16, 2013	4368076
Zooga	November 13, 2012	85778500	July 2, 2013	4361418
YogaPlay	March 25, 2016	86953659	March 14, 2017	5162700
Napercise	June 20, 2017	87497816	January 16, 2018	5379743

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. There are no agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material to you, except for the perpetual non-cancelable trademark license agreement between us and our Operating Affiliate dated June 22, 2016. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

Our Operating affiliate intends to file all affidavits and other documents required to maintain its interest in and to the Marks.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your operation of a Zooga Studio in compliance with the Franchise Agreement and all applicable standards, specifications and operating procedures we prescribe during the term of the Franchise Agreement. Any unauthorized use of the Marks by you constitutes a breach of the agreement and an infringement of our rights in and to the Marks. Your use of the Marks and any goodwill established by your use will be for our exclusive benefit. All provisions of the Franchise Agreement applicable to the Marks will apply to any other trademarks, service marks, commercial symbols and trade dress we authorize in writing for use by and licensed to you after you sign the Franchise Agreement.

You must use the Marks as the sole trade identification of the Zooga Studio and must identify yourself in the form we prescribe as the independent owner of the Zooga Yoga. You may not use any Mark or variation thereof as part of any corporate name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You may not use any Mark or any variation of it in connection with the performance or sale of any unauthorized services or products, as part of your corporate name, as part of the domain name or address of a website, or in any other manner we have not expressly authorized in writing. You must display the Marks prominently in the manner we prescribe. You must give notices of trademark and service mark registrations that we specify and obtain business name registrations as required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have sole discretion to take any action we deem appropriate in connection with any infringement, challenge or claim, and we have the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You must sign any and all instruments and documents, give assistance, and do any acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for the reasonable out-of-pocket expenses you incur and pay in complying with these requirements; except if any action we take with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

The Franchise Agreement does not require us to take affirmative action when notified of any infringements of or challenges to the Marks, but we intend to vigorously defend the Marks. We have the right to control any litigation or administrative proceedings involving the Marks. We will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Mark pursuant to and in compliance with the Franchise Agreement, and for all costs you reasonably incur in the defense of any claim in which you are named as a party, if you have promptly notified us of the claim, have given us sole control of the defense and settlement of the claim and have otherwise complied with your Franchise Agreement. If any action taken by us relating to a claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue the use of any Mark and/or for the Franchised Business to use one or more additional or substitute trade or service marks, you must immediately comply with our directions to modify or otherwise discontinue the use of the Marks and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after our notice to you. We are not obligated to reimburse you for any expenses you incur in connection with any discontinuance or modification of a Mark.

As of the date of this Disclosure Document, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

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ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have an ownership interest in any patents or registered copyrights that are material to the franchise.

We claim common law copyrights in the Manual, advertising materials, computer works, and similar items used in operating the Zooga Studio. We have not registered these copyrights with the United States Registrar of Copyrights, and we are not required to do so to protect them.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted works. No agreement limits our right to use or license the copyrighted works. Finally, we do not know of any infringing uses which could materially affect your use of the copyrighted works in any state. We are not required by any agreement to protect or defend the copyrighted works except as described below.

In the Franchise Agreement, you acknowledge and agree (1) that we may authorize you to use certain copyrighted or copyrightable works in our discretion, (2) that the copyrighted works are the valuable property of us or our affiliates and of which we or our affiliates are the owner, and (3) that the rights granted to you are solely on the condition that you comply with the terms of the Franchise Agreement. You must acknowledge and agree that we own or are the licensee of the owner of the copyrighted works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Zooga Studio. Copyrighted works include the Manual and may include all or part of the Marks, trade dress and other portions of the System. We intend that all works of authorship related to the System and created in the future will be owned by us or our affiliates and copyrighted.

Your right to use the copyrighted works is derived solely from the Franchise Agreement and is limited to the use of the copyrighted works in compliance with the Franchise Agreement and all applicable standards, specifications, and operating procedures we prescribe. You must make sure that all copyrighted works used bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws we prescribe specifying that we or an affiliate are the owner of the copyright. The Franchise Agreement does not grant you any interest in the copyrighted works, other than the right to operate the Zooga Studio in compliance with the Franchise Agreement.

You must immediately notify us in writing of any actual or apparent infringement of or challenge to any of the copyrighted works or claim by any person of any rights in the copyrighted works, and you may not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We will have the sole discretion to take any action we deem appropriate and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any alleged infringement, challenge or claim or otherwise relating to the copyrighted works.

If it becomes advisable at any time for you to modify or discontinue use of any of the copyrighted works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials, at your expense.

The goodwill associated with all phone and fax numbers, email addresses, domain names, websites or webpages, social media and other Internet addresses used in operation of the Zooga Studio is an asset that belongs to us. Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us.

Confidential Information

We possess and will further develop and acquire certain confidential and proprietary information and trade secrets (the "Confidential Information") including: (1) methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation, and franchising of Zooga Studios; (2) marketing and promotional programs for Zooga Studios; (3) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and fixtures for Zooga Studios; (4) operating results and financial performance of Zooga Studios; (5) the Manual; (6) the terms of the Franchise Agreement; and (7) your membership/customer database.

Under the Franchise Agreement we will disclose to you, during training and in guidance and assistance furnished to you, parts of the Confidential Information that you need for the development and operation of a Zooga Studio. You may learn or otherwise obtain from us additional Confidential Information during the term of your agreement. You must agree to disclose the Confidential Information to your Owners and supervisorial and managerial employees only to the extent reasonably necessary to operate your Franchised Business.

You and your Owners must acknowledge and agree that the Confidential Information is confidential to and a valuable asset of us and our affiliates, is proprietary, includes trade secrets of us and our affiliates and is disclosed to you on the condition that you, your Owners and your supervisorial and managerial employees who have access to the Confidential Information agree that during and after the term of the agreement you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; (4) will adopt and implement all reasonable procedures we prescribe to prevent unauthorized use or disclosure of the Confidential Information; and (5) will require all Principal Owners and all supervisorial and managerial employees and Owners who have access to the Confidential Information to sign confidentiality and non-competition agreements in the form we prescribe and provide us, at our request, with signed copies of each agreement. We will be a third party beneficiary of these agreements with the independent right to enforce their terms.

Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information in connection with the operation of other Zooga Studios under valid Franchise Agreements with us.

If you have obtained our prior written consent, the restrictions on the disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known in the children's yoga edutainment business within the Designated Territory, other than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings if you are legally compelled to disclose this information, provided you have notified us in writing before disclosure and used your best efforts to obtain, and afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be disclosed.

You must agree to disclose to us all ideas, concepts, promotional materials, methods, techniques and products relating to the development and operation of Zooga Studios conceived or developed by you or your employees during the term of the Franchise Agreement. You must grant to us and agree to obtain from your affiliates, owners or employees a perpetual, non-exclusive and worldwide right to use these new ideas, concepts, promotional materials, methods, techniques and products in all Zooga Studios or other businesses operated by us, our affiliates and franchisees. We have no obligation to make any payment with respect to any idea, concept, method, technique or product. You agree that you will not use, nor will you allow any other person or entity to use, any concept, method, technique or product without obtaining our prior written approval.

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

You must use your best efforts to develop and expand the market for products and services offered by Zooga Studios and to cooperate with us to accomplish these purposes. Your Zooga Studio must be under the daily supervision of either you (if you are an individual) or an Owner who has at least a 25% ownership interest in you (if you are a corporate entity) and a voting power in the entity. Under certain circumstances, we may allow you to appoint a designated manager to supervise the day-to-day operations of the Zooga Studio. Your designated manager must successfully complete our initial training program. We do not require that your designated manager have an ownership interest in the Franchised Business. If your designated manager is replaced for any reason, the new designated manager must satisfactorily complete our initial training program, at your expense, within 30 days after he or she begins working as your designated manager.

Your designated manager must be qualified, must complete our training program to our satisfaction, and must pass a background check. As described in Item 14, we may require you to obtain confidentiality and/or non-competition agreements from your Owners as well as from some of your supervisorial and managerial employees, including your designated manager. None of the provisions in the confidentiality and/or non-competition agreements are intended to prohibit or restrict any activity which prohibition or restrictions violates your employees' right to engage in protected concerted activity under the National Labor Relations Act. Your Zooga Studio must be open and operating on the days and during the times we specify in the Manual, unless applicable law or the terms of your lease require different hours.

If you are a corporation, limited liability company or partnership, each Owner who directly or indirectly owns an equity or voting interest in you must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must sell or offer for sale all products and services we require and/or that we have expressly approved in writing, in the manner and style we require. You must not deviate from our standards and specifications without first obtaining our written consent. You must stop selling and offering for sale any products or services that we may disapprove in writing at any time. We will create an approved list of "core" programs, services and products that all franchisees must provide and we may create "optional" programs, services or products that you may choose to implement. We must approve all programs, classes, events and retail items offered at your Franchised Business. We have the right to change the types of products and services offered by you at your Zooga Studio at any time, and there are no limits on our right to make those changes. You are strictly prohibited from offering from your Franchised Business any occupational therapy services or consultations, or other similar services.

You must keep your Zooga Studio very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and décor, as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including computer hardware and software, fixtures, supplies and other products and materials that you must have to offer and sell new products and services from your Zooga Studio.

We reserve the right to determine the minimum and/or maximum prices for the products and services offered from your Franchised Business, as permitted by applicable law. You must comply with the prices required by us, but we make no guarantees or warranties that offering the products or services at the required price will enhance your sales or profits.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the products or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	Section 3.1	10 years.

Provision	Section in Franchise Agreement	Summary
(b) Renewal or extension of the term	Section 17.1	2 renewal terms of 5 years each, if you meet certain requirements.
(c) Requirements for franchisee to renew or extend	Section 17	You may renew the Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain possession of the premises or an approved substitute location for the term of the renewal; have remodeled and/or redecorated as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; have paid the renewal fee; are not currently in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement; comply with current qualifications and training requirements; and sign a general release. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
(d) Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
(e) Termination by franchisor without cause	Not applicable	We have no right to terminate without cause.
(f) Termination by franchisor with cause	Section 18.1	We can terminate if you or any of your Owners fail to comply with the Franchise Agreement, or any other agreement between you and us, or any mandatory specification, standard or operating procedure we prescribe.
(g) "Cause" defined – curable defaults	Section 18.1	10 days for monetary and reporting defaulting and 15 days for all other curable defaults, but if it cannot be cured within 30 days, begin efforts to cure within 10 days and continue cure efforts until completion.

Provision	Section in Franchise Agreement	Summary
(h) "Cause" defined – non-curable defaults	Section 18.2	(1) Fail to obtain possession of the approved site or develop the Zooga Studio and begin operations within time provided; (2) abandon, surrender or transfer control without our prior written approval; (3) make material misrepresentation or omission on application; (4) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects your or our reputation or the goodwill of the Marks or any crime against a child; (5) unauthorized transfer; (6) you or your affiliates or owners make any unauthorized use, duplication or disclosure of Confidential Information, the Marks, the Copyrighted Works, the Manual or challenge or seek to challenge our rights in any of these items; (7) lose the right to possess the premises and fail to relocate in accordance with the Franchise Agreement; (8) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (9) violation by you, or members of your immediate families of the in-term non-compete provision or other non-compete agreement; (10) fail to accurately report Gross Sales or pay any amounts due and do not correct these failures within 10 days written notice form us; knowingly maintain false records or submit false reports to us; (11) permit a lease default to go uncured; (12) repeated defaults, whether or not cured, including three notices of curable defaults in a 12 month period; (13) fail to purchase or maintain required insurance; (14) pose a threat to public health or safety; (15) refuse us permission to inspect the Zooga Studio or your books and records; (16) you or any of your affiliates or owners interfere with our ability to license the Marks or the System to others; (17) you or any of your affiliates or owners interfere with our contractual relations with others; (18) a Franchise Agreement with you or your affiliates is terminated by us, or is terminated by you in a way that is not in compliance with the Franchise Agreement; (19) you or your Owners fail to comply with anti-terrorism laws.

Provision	Section in Franchise Agreement	Summary
(i) Franchisee's obligations on termination/non-renewal	Section 19	Pay all amounts owed; stop all use of Marks; remove all signs; return to us or destroy all materials containing any Marks; cancel assumed or fictitious name registrations; transfer all domain names, internet listings, telephone numbers and telephone listings to us; stop using all copyrighted works; if we do not purchase the Zooga Studio, then you must make any modifications necessary to avoid confusion (de-identify the premises); furnish us evidence of compliance with the above; stop use of Confidential Information; return the complete Manual; comply with post-term covenant not to compete.
(j) Assignment of contract by franchisor	Section 16.1	No restriction on our right to assign.
(k) "Transfer" by franchisee – defined	Section 16.2	Includes transfer of any interest in the Agreement, the Franchise, you, the Zooga Studio and some or all of its assets.
(l) Franchisor approval of transfer by franchisee	Section 16.2 through 16.4	We have the right to approve all transfers.
(m) Conditions for franchisor approval of transfer	Section 16.3	You and your owners must be in full compliance with the Franchise Agreement; transferee meets our criteria; transferor signs required documents, including a general release. If the transfer is of the Agreement, a Principal Owner's interest in you or a controlling interest in you, transferee may not engage in a Competitive Business; all amounts due from you and the transferee are paid in full; personnel of transferee sign non-compete and confidentiality agreement; completion of training; transferee and its owners agree to be bound by all obligations under the Franchise Agreement or sign our then-current form of franchise agreement, at our option; pay transfer fee; lessor consents to assignment of lease; we approve the terms and conditions of the transfer; all obligations of the transferee to you are subordinate to us; transferor and you sign non-competition covenant; transferee agrees to upgrade the Zooga Studio to our then-current standards; transferee signs guarantee of obligations under Franchise Agreement; transfer is made in compliance with all laws.

Provision	Section in Franchise Agreement	Summary
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 16.7	We have the right to match offers from third parties to buy an interest in the Franchise Agreement, the Franchise, the Zooga Studio, assets of the Zooga Studio or ownership interests in you.
(o) Franchisor's option to purchase franchisee's business	Section 19.6	We have the right to purchase all or a portion of the assets of the Zooga Studio for fair market value on termination in compliance with the Franchise Agreement or on non-renewal.
(p) Death or disability of franchisee	Section 16.5	Interest must be transferred to approved party within 6 months.
(q) Non-competition covenants during the term of the franchise	Sections 9 and 11.11	No involvement by you and members of your immediate families in a Competitive Business anywhere. If you are a corporate entity, you may not engage in any business other than the development and operation of Zooga Studio. A Competitive Business is a business that offers the same or substantially similar products and services as those offered by a Zooga Studio.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 9 and 19.4	No involvement by you or members of your immediate families in a Competitive Business for two years within 10 miles of the Franchised Business or any other Zooga Studio in the System.
(s) Modification of the agreement	Section 22.5	No modifications unless in writing and signed, but the Manual subject to change.
(t) Integration/merger clause	Section 22.6	Only terms of the Franchise Agreement are binding (subject to state law).
(u) Dispute resolution by arbitration or mediation	Section 20	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated and arbitrated where we maintain our headquarters.
(v) Choice of forum	Section 22.4	The county and state where we maintain our headquarters (currently Culver City, California).
(w) Choice of law	Section 22.4	The state where we are headquartered (currently California).

AREA DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement	Summary
(a) Length of the franchise term	Section 3	5 years.
(b) Renewal or extension of the term	Section 2.6	If you satisfy the Development Obligation and desire to develop, open and operate additional Zooga Studios in the Development Area, you will have the right to extend the term of your Development Agreement for an additional 5 years provided you comply with the applicable conditions.
(c) Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
(d) Termination by franchisee	Not Applicable	Not Applicable
(e) Termination by franchisor without cause	Not Applicable	Not Applicable
(f) Termination by franchisor with cause	Section 11.1, 11.2, 11.5	We can terminate if you materially default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you and us.
(g) "Cause" defined – curable defaults	Section 11.3	You have 10 days to cure non-payment of fees and 15 days to cure non-compliance with defaults not listed in Section 11.2.
(h) "Cause" defined – non-curable defaults	Sections 11.1, 11.2 and 11.5	Non-curable defaults include: bankruptcy; insolvency; receivership; unapproved transfers; failure to meet your development obligation; failure for a period of 10 days after notification of noncompliance to comply with any Federal, state or local law or regulation applicable to the operation of the franchise; any breach for unfair competition described in Section 8.1; cross defaults; felony conviction; conviction of any crime or offense which may have an adverse effect on the System, Marks and goodwill of the franchise; a breach of your obligations under the Area Development Agreement which by its nature is not capable of being cured by you.

Provision	Section in Area Development Agreement	Summary
(i) Franchisee's obligations on termination/non-renewal	Section 12	You will have no further right to develop or operate additional Zooga Studios which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and us. You may continue to own and operate all Zooga Studios under then existing Franchise Agreements; and you must honor all post-termination obligations. You must reimburse us the amount of the actual damages that we suffer as a result of the termination of your Area Development Agreement during the period that we estimate will expire while we search for a replacement Area Developer.
(j) Assignment of contract by franchisor	Section 9.1	No restrictions on our right to assign.
(k) "Transfer" by franchisee – defined	Section 9.2	Includes transfer of the agreement or change in ownership of the entity which owns it.
(l) Franchisor approval of transfer by franchisee	Section 9.2	Transfers require our prior written consent, which will not be unreasonably withheld.
(m) Conditions for franchisor approval of transfer	Sections 9.2 and 9.4	You may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 9.3	We may match any offer to purchase your business.
(o) Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
(p) Death or disability of franchisee	Section 9.5	Your spouse, heirs or personal representative has 180 days to purchase your interest in the Area Development Agreement or complete an assignment of the interest to a qualified, approved third party, subject to the transfer provisions.

Provision	Section in Area Development Agreement	Summary
(q) Non-competition covenants during the term of the franchise	Section 13.2	No involvement with any competing business without prior written consent. You may not (i) divert any present or prospective customer to any competitor, or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the Zooga Yoga System; or (ii) employ or seek to employ any person who is or has been within the previous 90 days employed by us or our affiliate as a salaried managerial employee; or otherwise induce the person to leave his or her employment.
(r) Non-competition covenants after the franchise is terminated or expires	Section 13.3	You are prohibited for 2 years following the termination, transfer or expiration of your Area Development Agreement, from owning or rendering services to any competing business at a Franchised Location, except under another effective Franchise Agreement with us, or any location within a 10 mile radius of any Zooga Studio or a Franchised Location.
(s) Modification of the agreement	Section 18.5	The Area Development Agreement can be modified or amended only by written agreement of all of the parties.
(t) Integration/merger clause	Section 18.5	Only the terms of the Area Development Agreement and its attachments are binding (subject to applicable state law).
(u) Dispute resolution by arbitration or mediation	Section 15.1	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated and arbitrated where we maintain our headquarters.
(v) Choice of forum	Sections 15.1 and 15.2	All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda (**Exhibit H**) attached to this Disclosure Document.
(w) Choice of law	Section 15.2	California, subject to applicable state law. See the State Specific Addenda (**Exhibit H**) attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its 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.

Before signing any documents or making any investment, you must make your own independent investigation regarding the purchase of a Zooga Studio franchise, including independent market and industry reviews and comparisons and talking to current Zooga Studio franchisees. You must consult with your own independent advisors, such as attorneys and accountants, to assist in determining the suitability of this investment for you.

Our Operating Affiliate owns one Zooga Studio in Culver City, California, which opened for business on July 24, 2012. The following Tables set forth the "**Gross Sales**", "**Cost of Services & Goods Sold**" and "**Gross Profits**" achieved by our Operating Affiliate's Zooga Studio for 2015, 2016 and 2017. The figures in Tables 1, 2 and 3 are taken from reports from the Operating Affiliate. All information is unaudited. Our Operating Affiliate's Zooga Studio is generally similar to the franchises offered to prospective franchisees under this Disclosure Document, except for potential variances in square footage.

The financial performance representations that appear in Tables 1, 2 and 3 below do not include operating expenses that were not included in the calculation of Cost of Services and Goods Sold or other costs or expenses that must be deducted from gross revenue or gross sales to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Zooga Studio. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

We have one franchisee who signed a franchise agreement in 2016, and who opened its Zooga Studio for business on January 9, 2017. Our franchisee's Zooga Studio has not been open for a full year, and her financial information is not included in this Item 19.

Your individual operating results will be affected by a multitude of factors, including the site of your Zooga Studio, general economic conditions, the extent, duration and effectiveness of your marketing and promotional efforts, fluctuations in the cost of rents, services and supplies, variations in disposable income and population, competition in the children's fitness industry, consumer preferences and the like, and other factors not listed in this Item 19, and may differ from the operating results stated in Tables 1, 2 3. Our Operating Affiliate's Zooga Studio achieved these results. Your individual results may differ. There is no assurance you will sell as much. Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon reasonable request.

TABLE 1
GROSS PROFIT AT OPERATING AFFILIATE'S ZOOGA STUDIO IN CULVER CITY AS OF DECEMBER 31, 2017 (NOTE 4)

GROSS SALES (Note 1)	COST OF SERVICES & GOODS SOLD (Notes 1 & 2)	GROSS PROFIT (Note 3)
$451,231.75	$118,248.96	$332,982.79

TABLE 2
GROSS PROFIT AT OPERATING AFFILIATE'S ZOOGA STUDIO IN CULVER CITY AS OF DECEMBER 31, 2016 (NOTE 4)

GROSS SALES (Note 1)	COST OF SERVICES & GOODS SOLD (Notes 1 & 2)	GROSS PROFIT (Note 3)
$328,071.99	$178,031.19	$150,040.80

TABLE 3
GROSS PROFIT AT OPERATING AFFILIATE'S ZOOGA STUDIO IN CULVER CITY AS OF DECEMBER 31, 2015 (NOTE 4)

GROSS SALES (Note 1)	COST OF SERVICES & GOODS SOLD (Notes 1 & 2)	GROSS PROFIT (Note 3)
$308,063.80	$141,946.12	$166,117.68

__Notes:__

1. "**Gross Sales**" means the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments. Data is based on calendar year. "**Cost of Services & Goods Sold**" means our expenses for labor, retail items, décor items, yoga teaching supplies and equipment, supplies for special events (e.g., parties,

camps), and administrative staff salaries. "**Gross Profit**" means "**Gross Sales**" less "**Cost of Services & Goods Sold**".

2. "**Cost of Services & Goods Sold**" include the cost of the Operating Affiliate's administrative staff salaries for the fiscal years 2015 ($9,806.14), 2016 ($29,804.07) and 2017 ($84,481.30). In 2016, the Operating Affiliate hired a full-time administrative employee after it relocated its 1- studio room Zooga Studio to a 2-studio room at 11054 Washington Boulevard, Culver City, California 90232 on November 28, 2016. The Operating Affiliate had no administrative staff expense in 2014.

3. Gross Profit equals the Gross Sales less Cost of Services & Goods Sold, as indicated in Tables 1, 2 and 3. Franchises will pay 6% royalty on Gross Sales. Our Operating Affiliate does not pay royalties. Franchises and our Operating Affiliate will pay a brand development fee of up to 1% on Gross Sales.

4. **The above-referenced outlet has earned the stated amounts. Your individual results may differ. There is no assurance that you will earn as much.** Your individual operating results will be affected by a multitude of factors, including the site of your Zooga Studio, general economic conditions, regional market variations, the demographics of an area, lifestyles of customers in your market area, the extent, duration and effectiveness of your marketing and promotional efforts, fluctuations in the cost of inventory and supplies, variations in disposable income and population, competition in the yoga and exercise studio industry, consumer preferences and the like, and other factors not listed in this Item 19, and may differ from the operating results stated in Tables 1, 2 and 3. Zooga Studios operating in low population density areas will also have lower sales than locations in high population density areas. Your results will vary based on your regional demographic density, competitive factors and your ability. You should consult other sources and your financial advisors to obtain additional information necessary to develop estimates of the gross revenues, cost of goods sold, operating expenses and net income you may expect. Franchisees or former franchisees listed in this Disclosure Document, may be one source of this information.

Other than this financial performance representation, Zooga Yoga Enterprises, Inc. does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Antonia King, at 11054 Washington Boulevard, Culver City, California 90232 and (310) 839-6642, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Fiscal Years 2015 to 2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2015	0	0	0
	2016	0	0	0
	2017	0	1	+1
Company-Owned*	2015	1	1	0
	2016	1	1	0
	2017	1	1	0
Total Outlets	2015	1	1	0
	2016	1	1	0
	2017	1	2	+1

* The Company-Owned Outlet in the above table is owned and operated by our Operating Affiliate.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Fiscal Years 2015 to 2017

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2015	0
	2016	0
	2017	0
Total	2015	0
	2016	0
	2017	0

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Table No. 3
Status of Franchised Outlets
For Fiscal Years 2015 to 2017

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Terminations	Col 6 Non-Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations - Other Reasons	Col 9 Outlets at End of the Year
California	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Total	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1

Table No. 4
Status of Company-Owned Outlets*
For Fiscal Years 2015 to 2017

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired from Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
California	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
Total	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1

*The Company-Owned Outlet in the above table is owned and operated by our Operating Affiliate.

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Table No. 5
Projected Openings as of December 31, 2017

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
California	1	1	0
Total	1	1	0

A list of the names of all franchisees and the addresses and telephone numbers of their businesses will be provided in **Exhibit E** to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on **Exhibit E** to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Zooga System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Zooga System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit F** are our audited financial statements as of December 31, 2017 and 2016.

Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement – Exhibit B
Area Development Agreement – Exhibit C
Confidentiality Agreement – Exhibit D
State Specific Addenda – Exhibit H
General Release – Exhibit I

ITEM 23
RECEIPTS

2 copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
AGENTS FOR SERVICE OF PROCESS & STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California, Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 West Ottawa G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6345
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau off Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23rd Floor New York, New York 10271-0332 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division State of Rhode Island Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Director, Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street. First Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
FRANCHISE AGREEMENT

ZOOGA YOGA ENTERPRISES, INC.

<u>FRANCHISE AGREEMENT</u>

____
FRANCHISEE

____
DATE OF AGREEMENT

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Exhibits

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B – Site and Designated Territory
C – Internet Website and Listing Agreement; Telephone Listing Agreement
D – Collateral Assignment of Lease
E – Confidentiality and Non-Competition Agreement
F – Guaranty and Assumption of Obligations
G – Transfer of Franchise to a Corporation or Limited Liability Company
H – Electronic Funds Transfer Agreement
I – SBA Addendum

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into by and between Zooga Yoga Enterprises, Inc., a California corporation whose principal office is at 11054 Washington Boulevard, Culver City, California 90232 ("Franchisor", "we", "us" or "our"), and ______________________, whose principal address is at ___________________________ ("Franchisee", "you" or "your").

ARTICLE 1
INTRODUCTION

1.1 We and our Affiliates have developed and continue to develop methods of operating a Zooga® studio. Zooga is a children's yoga franchise. It is a bright, fun, creative, yoga and play studio, dedicated to introducing kids and families to a one-of-a-kind, branded yoga experience called Zooga Yoga. Zooga combines the most current mind and body wellness techniques with traditional yoga poses, dance, props, original kids' music, and laugh-out-loud games to create interactive animal adventures that are nothing short of the future of fitness of kids. Zooga classes are developed to create not only a deeper sense of strength and focus for kids of all ages, but also to encourage bonding and togetherness for mommies, daddies and their little ones. Guided by yoga principles and designed for maximum entertainment, Zooga is good fun for kids and parents. In addition to classes available for all ages, Zooga also offers a substantial retail component, including many Zooga brand products, only available from Zooga, yoga mats, yoga cards, cd's, dvd's, books, apparel, tote bags, eyes pillows and water bottles are just some of the items available ("**Approved Products and Services**"). We grant to certain qualified persons and entities franchises to own and operate under the "Zooga", "YogaPlay", "Napercise" trademarks and trade names "Zooga" and "Zooga Yoga."

1.2 We grant to certain qualified persons or entities, and who meet our qualifications and who are willing to undertake the investment and effort, the right to own and operate a Zooga Studio. Pursuant to this Agreement, we will grant rights to you to own and operate a Zooga Studio and to operate the Zooga Studio according to the terms of this Agreement.

1.3 Certain terms that are capitalized in this Agreement are defined in Article 2 or at the places in this Agreement where they first appear.

ARTICLE 2
DEFINITIONS

2.1 For purposes of this Agreement, the terms listed below have the meanings that follow them. Other terms used in this Agreement are defined and construed in the context in which they occur.

2.1.1 "**Affiliate**" – Any person, entity or company that directly or indirectly owns or controls a party that is directly or indirectly owned or controlled by a party, or that is under common control with a party. For purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of an entity.

2.1.2 "**Competitive Business**" – A business other than a Zooga Studio that: (a) features the Approved Products and Services or substantially similar products and services; or (b) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a business described in the foregoing clause (a).

2.1.3 "**Controlling Interest**" – If you are a:

(a) corporation, then such number of the voting shares of you as (i) shall permit voting control of you on any issue and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; and

(b) general partnership, then a managing partnership interest or such percentage of the general partnership interests in you as (i) shall permit determination of the outcome on any issue and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; and

(c) limited partnership, then a general partnership interest or such percentage of limited partnership interests as shall permit the replacement or removal of any general partner; and

(d) limited liability company, then such percentage of the membership interests as (i) shall permit determination of the outcome on any issue and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

2.1.4 "**Domain Name**" – The Internet domain name selected or used in connection with a Zooga Studio and any other domain names that may be utilized by us or which we may authorize you to use.

2.1.5 "**Zooga Studio**" – A business that: (a) offers the Approved Products and Services for sale as well as certain complementary products and services; (b) meets our standards and specifications; (c) operates using the Marks and the System; and (d) is either operated by us or our Affiliates or pursuant to a valid license from us.

2.1.6 "**Marks**" – The trademarks, service marks, logos, other commercial symbols and any Domain Name which we authorize you to use to identify the services and/or products offered by your Zooga Studio including the marks "Zooga®", "YogaPlay", "Napercise" trade dress and trade names "Zooga" and "Zooga Yoga"; provided that such trademarks, service marks, logos, other commercial symbols, trade names and the Trade Dress are subject to modification and discontinuance and may include additional or substitute trademarks, service marks, logos, commercial symbols and trade dress as provided in this Agreement.

2.1.7 "**Owners**" – All persons or entities holding direct or indirect legal or beneficial ownership interests in you and all persons who have other direct or indirect property rights in you, this Agreement, the Franchise or the Zooga Studio. All current Owners are listed on **Exhibit A** to this Agreement. At our request, you shall have your Owners execute and deliver to us our form of Guaranty and Assumption of Obligations, attached to this Agreement as **Exhibit F**.

2.1.8 "**Ownership Interests**" – In relation to a: (a) corporation, the legal or beneficial ownership of shares in the corporation; (b) partnership, the legal or beneficial ownership of a general or limited partnership interest; (c) limited liability company, the legal or beneficial ownership of units of membership interests in the limited liability company; or (d) trust, the ownership of a beneficial interest of such trust.

2.1.9 "**Principal Owners**" – Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote thereon) and any other Owner designated as a Principal Owner on **Exhibit A** to this Agreement.

2.1.10 "**Products**" – The products which we authorize from time to time for sale or use at your Zooga Studio.

2.1.11 "**Services**" – The services which we authorize from time to time for sale at or from your Zooga Studio.

2.1.12 "**Site**" – The location identified on **Exhibit B** to this Agreement. As used herein the term "Site" also refers to the interior and exterior of the structure housing the Zooga Studio.

2.1.13 "**Trade Dress**" – The design, décor and image elements which we authorize you to use in connection with the operation of a Zooga Studio as they may be revised and further developed by us from time to time and as further described in the Manual.

2.1.14 "**Website**" – An interactive electronic document contained in a network of computers linked by communications software.

ARTICLE 3
GRANT OF FRANCHISE

3.1 Grant of Franchise; Term

Subject to the provisions of this Agreement, we hereby grant to you a "Franchise" to operate the Zooga Studio and to use the Marks and the System in the operation thereof for a term of ten (10) years commencing on the date of this Agreement. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise and any and all licenses granted herein. You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder and that you will continuously exert your best efforts to promote and enhance the business of the Zooga Studio and the goodwill of the Marks. You shall not conduct the business of the Zooga Studio from any location other than the Site.

3.2 Territorial Rights

You expressly acknowledge that this Franchise is non-exclusive, but that this Agreement does grant you a protected area or territory for your Zooga Studio. Your Designated Territory is defined in **Exhibit B** hereof.

Your Designated Territory will contain at least 10,000 children, ages 14 years and younger at the time the franchise agreement is granted and may be defined using a number of factors including but not limited to: median household income, number of households, median home value, manmade or natural boundaries, zip codes, city or county boundaries, traffic patterns or other factors Zooga Yoga Enterprises, Inc. deems important. The Designated Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site

You understand and acknowledge that if any non-traditional site (such as a shopping mall, military base or other mass gathering location where there is a captive market) is located within the physical boundaries of your Designated Territory, then the premises of this non-traditional site will not be included in your Designated Territory and you will have no rights to this non-traditional site.

3.3 Rights Retained by Us

We retain all rights with respect to Zooga Studio, the Marks and the sale of Approved Products and Services and any other products and services anywhere in the world including, without limitation:

(a) to produce, offer and sell and to grant other the right to produce, offer and sell the Products offered at Zooga Studios and any other goods through similar or dissimilar channels of distribution, both within and outside the Designated Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

(b) to operate and to grant others the right to operate Zooga Studios located outside the Designated Territory under any terms and conditions we deem appropriate and regardless of proximity to your Zooga Studio;

(c) the right to acquire and operate a business operating one or more child development businesses located or operating in your Designated Territory; provided, however, that if we do acquire this business any facilities located or operating within your Designated Territory will not operate using the Marks.

You expressly acknowledge and agree that we shall have the unbridled right to exercise all of the rights reserved to us in this Section 3.3 at any location, regardless of the proximity of such location to the Zooga Studio.

3.4 Limitations on Sale of Approved Products and Services

This license does include the right to provide our products or services at or from any location within your Designated Territory. Your use, directly or indirectly, of the System, the Marks licensed hereunder, or the sale of our Approved Products or Services at any location other than from a Designated Territory except as we may specifically approve, shall be a material breach of this Agreement and shall give us, in addition to all other rights and remedies hereunder, the right to terminate this Agreement. You shall not engage in any promotional activities or sell the Approved Products and Services, or similar products and services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from clients or prospective clients located outside of the Designated Territory. You may place advertisements in printed media and on television and radio that are targeted to clients and prospective clients located within the Designated Territory, and you will not be deemed to be in violation of this Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective clients outside of the Designated Territory. You shall not directly solicit customers outside of your Designated Territory.

3.5 **Month-to-Month Agreement**

If you do not sign our then-current Franchise Agreement prior to the expiration date and you continue to accept the benefits of this Agreement after it expires, then at our option, this Agreement may be treated either as (i) expired as of the expiration date with you then operating without a license to do so and in violation of our rights; or (ii) continued on a month-to-month basis (**"Month-to-Month Agreement"**) until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement; in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by applicable law. In the latter case, all of your obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement.

ARTICLE 4
DEVELOPMENT AND OPENING OF THE ZOOGA STUDIO

4.1 Approval of Site

4.1.1 Within ninety (90) days from the date hereof, you will submit to us such demographic, commercial and other information and photographs as we may require in order to evaluate the site you propose to use for your Zooga Studio. You acknowledge that in reviewing a proposed site we may consider such matters as we deem material including, without limitation, demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area (including other Zooga Studios), the number of households, income levels, population, the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site.

4.1.2 We will approve or disapprove each site you propose for the operation of the Zooga Studio by giving written notice to you. We agree to use reasonable efforts to deliver such notice to you within thirty (30) days after we receive the complete site documentation and any other materials we request regarding you and the proposed site. We will not unreasonably withhold our approval of a proposed site that meets our standards and specifications for a Zooga Studio. Upon our approval of a proposed site for the Zooga Studio, the address of the Zooga Studio will be inserted on **Exhibit B** to this Agreement. If you are unable to find a suitable location for your Zooga Studio within ninety (90) days after you sign this Agreement, we reserve the right to terminate this Agreement or we may provide you with an extension of this timeframe.

4.1.3 You hereby acknowledge and agree that our approval of the Site does not constitute an express or implied assurance, representation or warranty of any kind as to the suitability of the Site for a Zooga Studio or for any other purpose. Our approval of the Site indicates only that we believe the Site complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation. You and we acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the Zooga Studio and that, subsequent to our approval of the Site; demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the potential of the Site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of the Site to meet your expectations as to revenue, operational performance or other measures. You further acknowledge and agree that your acceptance of a Franchise for the operation of the Zooga Studio is based on your own independent investigation of the suitability of the Site.

4.2 Approval of Lease or Purchase Agreement

4.2.1 Upon our approval of a proposed site, you will attempt to obtain lawful possession of the approved Site through your direct purchase, lease or sublease. The lease or sublease for the Site shall be in a form satisfactory to us and: (a) provide for concurrent, written notice to us of your default under said lease or sublease; (b) provide for our right, in our sole discretion, to cure your default under said lease or sublease; (c) provide for your right to assign your interest under said lease or sublease to us without the lessor's or sublessor's consent; (d) authorize and require the lessor or sublessor to disclose to us upon our request sales and other information furnished to the lessor or sublessor by you; (e) provide that we shall have the right, in our sole discretion, upon termination of this Agreement or expiration of this Agreement, without the grant of a successor franchise, to assume said lease or sublease; (f) provide for the lessor's or sublessor's consent to your display of the Marks in accordance with our specifications, subject only to applicable law; (g) provide that it may not be materially modified without our prior written consent and that we will receive copies of such modifications when proposed and when executed; and (h) include an executed copy of the Collateral Assignment of Lease, which is attached hereto as **<u>Exhibit D</u>**, or a substantially similar form.

4.2.2 You will deliver to us for review a copy of the lease, sublease or purchase agreement for the Site. You agree that you will not execute a lease, sublease or purchase agreement without our prior written approval of its terms. If we do not disapprove a proposed lease, sublease or purchase agreement within fifteen (15) days after we receive it, it shall be deemed approved by us. You shall deliver a copy of the signed lease, sublease or purchase agreement to us within fifteen (15) days of its execution. You further agree that you will not execute or agree to any modification of the lease, sublease or purchase agreement which would affect our rights without our prior written approval.

4.3 Design Specifications

We will furnish to you "Design Specifications" which contain our requirements for design, decoration, layout, equipment, furniture, fixtures, color scheme, and signs for the Zooga Studio. You acknowledge and agree that the Design Specifications are an integral part of the System and form a part of the Trade Dress and that, therefore, the Zooga Studio will be developed, constructed and designed in accordance with the Design Specifications. You shall submit all plans and specifications to us for our approval. You shall not begin development of the Zooga Studio until we approve your plans and specifications. You will submit all plans, and modifications and any revisions to us for our prior review and acceptance before you begin construction. Our review of your plans and specifications is only to verify that they meet our Design Specifications, and are not meant to verify any compliance with any applicable law, ordinance or building code.

4.4 Development of the Zooga Studio

As soon as practicable after you obtain possession of the Site by signing a lease, sublease or purchase agreement, you agree, at your expense, to do or cause to be done the following: (a) prepare and submit to us for approval detailed construction plans and specifications and space plans for the Zooga Studio that comply with the Design Specifications and all applicable ordinances, building-codes, permit requirements, and lease requirements and restrictions; (b) obtain all required zoning changes, planning consents, building, utility, sign, health, sanitation and business permits, licenses and approvals and any other consents, permits and licenses necessary to lawfully open and operate the Zooga Studio; (c) construct all required improvements in compliance with construction plans and specifications approved by us; (d) decorate the Zooga Studio in compliance with Design Specifications and plans and specifications approved by us; (e) purchase and install all required equipment, including furniture, fixtures and signs; and (f) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services.

4.5 Equipment, Fixtures and Signs

You agree to use in the development and operation of the Zooga Studio only those brands, types and/or models of equipment, fixtures and signs displaying the Marks which meet our specifications. You may purchase approved brands, types and/or models of equipment, fixtures and signs which meet our specifications from any supplier, unless we designate a specific approved supplier for any item. We will, from time to time, supply you with a list of suppliers who sell items which meet our specifications. All computer equipment used in the operation of the Zooga Studio must be of a brand, type and/or model authorized by us.

You must purchase Apple products (desktop, 2 iPods, 1-s iPad), with QuickBooks, Office, Photoshop and Mindbody. Zooga uses the Mindbody software platform that allows clients to enroll in classes via their computer and we have developed apps that allow clients to enroll using their smart phones (both Android and iPhone).

4.6 Initial Inventory

Upon completion of the development of the Zooga Studio, you agree to stock the initial inventory of the Zooga Studio to our specifications and standards. The initial inventory of the Zooga Studio will include your purchase of equipment and products from our designated suppliers, which may include us and/or our Affiliates.

4.7 Zooga Studio Opening

You agree not to open the Zooga Studio for business until: (a) we determine that all of your obligations pursuant to <u>Section 4.1</u> through <u>Section 4.6</u> have been fulfilled; (b) pre-opening training of Zooga Studio personnel has been completed to our satisfaction; (c) all amounts then due to us or our affiliates have been paid; and (d) we have been furnished with copies of all insurance policies required pursuant to this Agreement or such other evidence of insurance coverage and payment of premiums as we request. You agree to comply with these conditions and to be prepared to open the Zooga Studio for business approximately three to eight months from when the Franchise Agreement is signed to the opening of the Zooga Studio. In the event that you come to us with an accepted location at hand, you will have three months to open your studio after the execution of the Franchise Agreement or three months after you sign the lease for the approved location, whichever occurs first. You may not open the Zooga Studio for business until we have approved you to do so. If you are unable to open your Zooga Studio for business within the required period, we have the right to terminate this Agreement.

4.8 Initial Marketing Campaign

We reserve the right to collect a fee of $1,500 for your initial marketing campaign to promote the opening of your Franchised Business, which we will conduct on your behalf. If we request that you pay us this, it is not refundable.

You must purchase your continuing supply of required logo'ed retail items, décor items, yoga teaching supplies and equipment from us, our affiliate or approved supplier and we reserve the right to earn a profit from the sale of these items to our franchisees.

Your initial marketing campaign includes a "coming soon" banner for your Zooga Studio once you have obtained the approved location by lease or sublease, direct mail campaigns and similar promotional activities. We must approve of your initial marketing campaign, and your campaign must be conducted in the period that includes two (2) weeks before and four (4) weeks after opening of your Zooga Studio. At our request, you must give us the money for your initial marketing campaign and we will conduct the campaign on your behalf.

4.9 Relocation of Zooga Studio

If, during the term of this Agreement, you wish to relocate your Zooga Studio, or if the Zooga Studio location is damaged or destroyed and cannot be repaired within sixty (60) days, you must submit to us in writing the materials we require to consider your relocation request, including information concerning the proposed new location for the Zooga Studio, and your submission for approval of the relocation must include payment of our relocation fee in an amount equal to fifteen percent (15%) of our then-current initial franchise fee. Any such relocation shall be at your sole expense. Our review of your request to relocate will consider factors such as your compliance with this Agreement, the location meets our then-current requirements for a Zooga Studio and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. We will not charge you an additional initial franchise fee for relocation.

4.10 Zooga Studio Refurbishment

At our request, which shall not be more frequently than every five (5) years, you shall refurbish the Zooga Studio at your sole cost and expense so that it conforms to the building design, Trade Dress, color schemes, Design Specifications and presentation of the Marks in a manner consistent with the image then in effect for a new Zooga Studio under the System, including, without limitation, remodeling, redecoration and modifications to existing improvements. Refurbishment does not include regular maintenance of your Zooga Studio and its equipment and furnishings, and it does not include any technological upgrades we may require during the term of this Agreement.

ARTICLE 5
TRAINING AND GUIDANCE

5.1 Initial Training

5.1.1 Not later than thirty (30) days before the Zooga Studio begins operating, we shall provide initial training at our headquarters, or such other location as we designate, in the operation of a Zooga Studio. The cost of training the first three (3) people is included in your initial franchise fee. If you request that we provide our training program to additional people, either before your Zooga Studio opens or while it is operating, you must pay our then-current training fee for each additional trainee. Initial training shall be held at such time and location and for such duration as we designate.

5.1.2 You, your lead teacher and your designated manager must complete the initial training program to our reasonable satisfaction. If you do not satisfactorily complete the initial training program, we will give you an opportunity to retake our training program at your expense. If you do not satisfactorily complete the initial training program a second time, we may terminate this Agreement. If the designated manager or lead teacher does not satisfactorily complete the initial training program or if we determine that the designated manager or lead teacher cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training, at your expense, before you will be permitted to open your Zooga Studio.

5.1.3 You will be responsible for the cost of all travel and living expenses that you and your personnel incur in connection with initial training and any subsequent training, including, but not limited to, travel, lodging, meals and applicable wages. We will not compensate training attendees for any incidental services performed in connection with training.

5.1.4 In addition to our initial training program, we will supply one (1) of our representatives to provide pre-opening and opening assistance at your Zooga Studio for up to three (3) days around the Zooga Studio's opening. If you request additional days of on-site opening assistance, you must reimburse our representative's expenses in providing opening assistance, including travel, lodging and meals.

The maximum duration of the initial training program will be up to ten (10) days and includes up to five (5) days of Zooga University kids yoga teacher training, which will include a dance and mommy and me yoga section. Franchisees and designated managers will attend a separate initial training program of up to seven (7) days from the lead teacher. The lead teacher's initial training program will encompass both phases of Zooga University and that person will also observe actual classes and teach classes at the Zooga Studio under the guidance of a representative of the franchisor. Prior to attending the initial training program, all participants are required to read the Manual and other required reading.

5.1.5 In addition to the opening assistance described in <u>Section 5.1.4</u>, we will provide you with one (1) day of on-site training, at no additional cost to you, within your first sixty (60) days of operation, which coincides with a birthday party or Kid's Night Out.

5.1.6 You shall implement a training program for Zooga Studio employees in accordance with training standards and procedures that we may prescribe. You shall maintain, at all times, a staff of trained employees sufficient to operate the Zooga Studio in accordance with this Agreement.

5.2 Additional Training

At your request, and subject to the availability of our personnel, we may provide additional assistance and/or training on-site at your Zooga Studio. You agree to pay our then-current per diem fee for each trainer we send to your Zooga Studio and to reimburse each trainer's expenses while providing the on-site assistance, including, but not limited to, travel, lodging and meals.

In addition to additional assistance or training you may request, as described above, we may determine that you require additional assistance or training. Such additional assistance or training will be at your sole expense, as described above. We may make such determination based on, among other things, the results of inspections we may conduct and/or guidance you request from us.

5.3 Refresher Training; Franchisee Meeting

5.3.1 We reserve the right to require you and your supervisorial and managerial employees to attend refresher training at a location determined by us. We may designate that attendance at refresher training is mandatory. You agree to pay our then-current per person fee for refresher training, and you agree to pay all expenses you and your trainees incur while attending any refresher training courses, including travel, lodging, meals and applicable wages.

5.3.2 We reserve the right to hold a meeting or convention of our franchisees, which may be held on a regional or national basis. We may specify that attendance at any franchisee meeting is mandatory for you, lead teacher and/or your designated manager unless the absence is excused by us. We may use a franchisee meeting to discuss new products or services, to discuss concerns with our franchisees, and/or to provide additional training. We will determine the location of the franchisee meeting, but we will not designate an unreasonably expensive location. You agree to pay our then-current per person fee for the franchisee meeting, and you must pay all expenses that you and your attendees incur, including travel, lodging, meals and applicable wages.

5.3.3 If we have designated that attendance at a refresher training program or franchisee meeting is mandatory and you or your lead teacher, or your designated manager do not attend the required refresher training program or franchisee meeting two (2) consecutive times, you will be default of this Agreement. You and/or your lead teacher and/or your designated manager must attend any make-up session we designate within twelve (12) months. If you or your designated manager have a third (3rd) unexcused absence from a mandatory refresher training program or franchisee meeting, we will have the right to terminate this Agreement.

5.4 Guidance and Assistance

We shall furnish guidance to you with respect to: (a) specifications, standards and operating procedures utilized by Zooga Studios and any modifications thereof; (b) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; (c) development and implementation of local advertising and promotional programs; (d) administrative, bookkeeping, accounting, inventory control and general operating and management procedures of a Zooga Studio; and (e) establishing and conducting employee training programs at the Zooga Studio. Such guidance shall, in our discretion, be furnished in the form of our Manual, bulletins, written reports and recommendations, other written materials (including by e-mail), refresher training programs and/or periodic telephonic consultations, or in-person consultations at our offices or at your Zooga Studio.

5.5 Manual

We will loan to you for your sole use during the term of this Agreement one (1) copy of an "Manual", which may consist of one (1) or more handbooks or manuals as may be modified, replaced or supplemented by us from time to time, in our sole discretion. We reserve the right to provide the Manual electronically, such as via CD-ROM or a password-protected Website. The Manual shall contain mandatory specifications, standards, policies and procedures prescribed from time to time by us for

Zooga Studios. The Manual may be modified by us from time to time (a) to reflect changes in the System, including, without limitation, changes in specifications, standards, policies and procedures of a Zooga Studio; (b) to specify brands, types and/or models of equipment which must be used by you in the operation of the Zooga Studio; and (c) to specify changes in the décor, format, image, Products, Services and operations of a Zooga Studio prescribed by us. Any such modifications shall be binding upon you upon being mailed or otherwise delivered to you, as if originally set forth herein. You shall keep your copy of the Manual current by immediately inserting all modified pages furnished by us. In the event of a dispute about the contents of the Manual, the master copy maintained by us at our principal office shall be controlling. You acknowledge that the Manual is proprietary and confidential to us, and you agree that you will not at any time copy or distribute any part of the Manual. Upon termination of this Agreement or expiration of this Agreement without grant of a renewal franchise, you shall return to us all copies of the Manual.

5.6 **Toll Free Telephone Number.** We have the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you shall comply with our procedures for implementing the nationwide service as we specify in the Manual or otherwise in writing.

ARTICLE 6
MARKS

6.1 Goodwill and Ownership of Marks

We are the owner or the licensee of the owner of the Marks. All references in this Agreement to our right, title and interest in and to the Marks shall be deemed to include the owner's right, title and interest in and to the Marks. You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of the Zooga Studio by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of the Franchise. Any unauthorized use of the Marks by you shall constitute a material breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established thereby shall inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you other than the right to operate the Zooga Studio in compliance with this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any other trademarks, service marks and commercial symbols hereafter authorized in writing for use by and licensed to you by us.

You understand and agree that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may hereafter being designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of our Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks.

During the term of this Agreement and any renewal or extension hereof, you shall identify yourself as the independent owner of the Zooga Studio in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as we may designate in writing.

6.2 Limitations on Your Use of Marks

You agree to use the Marks as the sole trade identification of the Zooga Studio, provided that you shall identify yourself as the independent owner of the Zooga Studio in the manner prescribed by us. You shall not use any Mark or any variation thereof (a) as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (b) in connection with the performance or sale of any unauthorized services or products; (c) as part of the Domain Name or electronic address of any Website; or (d) in any other manner not expressly authorized in writing by us. You agree to display the Marks prominently in the manner prescribed by us at the Zooga Studio and in connection with advertising and marketing materials. You agree to give such notices of trademark and service mark registrations as we specify and to obtain such business name registrations as may be required under applicable law.

6.3 Notification of Infringements and Claims

You shall immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark, and you shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as, in the opinion of our counsel, are necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks. We will reimburse you for the reasonable out-of-pocket expenses incurred and paid by you in complying with the requirements imposed by this Paragraph, provided however, if any action taken by us results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof, up to the amount of the monetary recovery.

6.4 Discontinuance of Use of Marks

If it becomes advisable at any time, in our sole judgment, for the Zooga Studio to modify or discontinue the use of any Mark or of any aspect of the Trade Dress and/or for the Zooga Studio to use one or more additional or substitute trademarks or service marks or substitute trade dress, you agree to immediately comply with our directions to modify or otherwise discontinue the use of such Mark and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after notice thereof by us. We shall have no obligation to reimburse you for any expenditure made by you to modify or discontinue the use of a Mark or to adopt substitutes for a discontinued Mark including, without limitation, any expenditures relating to advertising or promotional materials or to compensate you for any goodwill related to the discontinued Mark. You covenant not to commence or join in any litigation or other proceeding against us for any of these expenses, losses or damages.

6.5 Indemnification of You

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding, have given us sole control of the defense and settlement of any such claim, and have otherwise complied with this Agreement. If any action taken by us with respect to any such claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof up to the amount of the monetary recovery.

ARTICLE 7
COPYRIGHTS

7.1 Ownership of Copyrights

You and we acknowledge and agree (a) that we may authorize you to use, in connection with the operation of the Zooga Studio, certain copyrighted or copyrightable works which shall be referred to herein as the "Copyrighted Works"; (b) that the Copyrighted Works are our valuable property; or the property of the copyright owner, who may not be us, and (c) that the rights herein are granted to you solely on the condition that you comply with the terms of this Article. You acknowledge and agree that we own or are the licensee of the owner of the Copyrighted Works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Zooga Studios. Such Copyrighted Works include the Manual, Zooga University Teacher Training Manuals, computer works and may include all or part of the Marks, Trade Dress, Design Specifications and other portions of the System. We intend that all works of authorship related to the System and created in the future will be owned by us.

7.2 Limitation on Your Use of Copyrights

You acknowledge that your right to use the Copyrighted Works is derived solely from this Agreement and is limited to the use of such Copyrighted Works pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of this Agreement. You shall ensure that all Copyrighted Works used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us specifying that we are the owner of the copyright. You acknowledge that this Agreement does not confer any interest in the Copyrighted Works upon you other than the right to operate the Zooga Studio in compliance with this Agreement. If we authorize you to prepare any adaptation, translation or derivative work of the Copyrighted Works, you hereby agree that such adaptation, translation or derivative work shall be our property and you hereby assign all your right, title and interest therein to us. You agree to execute any documents in recordable form which we determine are necessary to reflect such ownership. You shall submit all such adaptations, translations or derivative works to us for approval prior to use.

7.3 Notification of Infringements and Claims

You shall immediately notify us of any actual or apparent infringement of or challenge to any of the Copyrighted Works, or claim by any person of any rights in the Copyrighted Works. You shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have the sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to the Copyrighted Works.

7.4 Discontinuance of Use

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any of the Copyrighted Works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials.

ARTICLE 8
CONFIDENTIAL INFORMATION

8.1 Definition of "Confidential Information"

We possess and will further develop and acquire "Confidential Information" including, but not limited to, the following categories of information, methods, techniques, procedures, and knowledge developed or to be developed by us, our Affiliates and/or franchisees:

(a) methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation, and franchising of Zooga Studios;

(b) marketing and promotional programs for Zooga Studios;

(c) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and fixtures for Zooga Studios;

(d) the terms of this Agreement;

(e) the Manual;

(f) the Zooga University teacher training manuals; and

(g) your database of memberships and customers.

8.2 Sales and Operations Data Deemed Confidential

All data relating to the sales and operations of the Zooga Studio shall also be deemed to be Confidential Information for purposes of this Agreement.

8.3 Disclosure of Confidential Information

We will disclose such parts of the Confidential Information as are required for the operation of a Zooga Studio to you during training and in guidance and assistance furnished to you during the term of this Agreement, and you may learn or otherwise obtain from us additional Confidential Information during the term of this Agreement. You acknowledge and agree that neither you nor any other person or entity will acquire any interest in or right to use the Confidential Information, other than your right to utilize it in the operation of the Zooga Studio, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and other Zooga Studio franchisees. You agree to disclose the Confidential Information to your Owners and to supervisorial and managerial employees of the Zooga Studio only to the extent reasonably necessary for the operation of the Zooga Studio.

8.4 Non-Disclosure of Confidential Information

You acknowledge and agree that the Confidential Information is confidential to us and a valuable asset of ours, is proprietary, includes our trade secrets, and is disclosed to you solely on the condition that you, your Owners and your supervisorial and managerial employees who have access to it agree, and you do hereby agree, that during and after the term of this Agreement, you, your Owners and such other supervisorial and managerial employees:

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

(b) will maintain the absolute secrecy and confidentiality of the Confidential Information;

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form;

(d) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information; and

(e) will require all Principal Owners and all supervisorial and managerial employees and Owners who will have access to Confidential Information, including, without limitation, managers and other personnel who attend our training programs, to execute Confidentiality and Non-Competition Agreements in the form attached hereto as **Exhibit E**. We shall be a third party beneficiary of such agreements with the independent right to enforce their terms. You shall provide, at our request, executed originals of each such Confidentiality and Non-Competition Agreement. Failure to procure execution of a Confidentiality and Non-Competition Agreement shall be a material breach of this Agreement.

8.5 Use of Confidential Information

Nothing contained herein shall be construed to prohibit you from using the Confidential Information in connection with the operation of a Zooga Studio, provided such operation is pursuant to a valid franchise agreement between you and us.

8.6 Restrictions on Use

Notwithstanding anything to the contrary contained in this Agreement, and provided you shall have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known in the business of the offer and sale of Approved Products and Services and Products in the United States, other than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you have notified us prior to disclosure and shall have used your best efforts to obtain, and shall have afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

8.7 New Ideas and Concepts

You agree to disclose to us all ideas, concepts, methods, techniques and products relating to the development and operation of a Zooga Studio conceived or developed by you, your Affiliates, Owners, managers or your employees during the term of this Agreement. You hereby grant to us and agree to procure from your Affiliates, Owners, managers or employees a perpetual, non-exclusive and worldwide right to use same. We shall have no obligation to make any payment with respect to any such idea, concept, method, technique or product. You agree that you will not use, nor will you allow any other person or entity to use, any such concept, method, technique or product without obtaining our prior written approval.

ARTICLE 9
EXCLUSIVE RELATIONSHIP; NON-COMPETITION

9.1 You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Zooga Studios if franchisees, their Principal Owners, or members of any of their immediate families were permitted to engage in, hold interests in, or perform services for a Competitive Business. You further acknowledge and agree that the restrictions contained in this Article will not hinder your activities or the activities of your Principal Owners under this Agreement or in general. We have entered into this Agreement with you on the express condition that, with respect to the operation of Competitive Businesses, you and your Principal Owners and members of their respective immediate families will deal exclusively with us. You therefore agree that during the term of this Agreement neither you nor any of your Principal Owners nor any member of your or their immediate family shall, directly or indirectly:

(a) have any interest as a disclosed or beneficial owner in any Competitive Business; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business; or

(c) employ or seek to employ any person who is employed by us, our Affiliates or by any other franchisee of a Zooga Studio, nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

9.2 These restrictions of clause (a) of Section 9.1 shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market (a publicly owned company) that represents less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

9.3 The restrictions of Section 9.1 shall not be construed to prohibit you, any of your Principal Owners, or any member of your or their immediate family from having a direct or indirect ownership interest in any Zooga Studio Franchise Agreement for the operation of any Zooga Studio, or any entity owning, controlling or operating a Zooga Studio, or from providing services to any such Zooga Studio pursuant to other agreements with us.

ARTICLE 10
FEES

10.1 Initial Franchise Fee

10.1.1 You agree to pay to us upon execution of this Agreement an "Initial Franchise Fee" in the amount of Thirty Two Thousand Five Hundred Dollars ($32,500). The Initial Franchise Fee shall be fully earned by us upon execution of this Agreement and is non-refundable in whole or in part.

10.1.2 If you are a qualified United States Military Veteran who has been honorably discharged (you must provide a copy of your DD214), the initial franchise fee payable hereunder shall be reduced by 10% for your first Zooga franchise and cannot be combined with any other discount. No other discounts are available.

10.1.3 If this Agreement is for your second (2nd) or later Zooga Studio and this Agreement is not being executed pursuant to an Area Development Agreement between you and us, then the Initial Franchise Fee payable hereunder shall be reduced by twenty five percent (25%).

10.2 Royalty Fee

10.2.1 During the term of this Agreement, you shall pay to us, in partial consideration for the rights herein granted, a continuing royalty fee of 6% ("Royalty Fee"). Such Royalty Fee shall be due and payable monthly based on the Gross Sales for the previous calendar month so that it is received by us by electronic funds transfer on or before the fifth day of each month, provided that such day is a business day. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.

10.2.2 Each such Royalty Fee shall be accompanied by a royalty report itemizing the Gross Sales for the preceding month ("Royalty Report") by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as we may reasonably direct. It shall remain your responsibility to provide us with such Royalty Report, and any other reports required hereunder, notwithstanding that we shall have the right and ability to access sales and other information directly from your computer system.

10.3 Definition of "Gross Sales"

For the purposes of determining the royalty fees to be paid hereunder, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments. We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us.

If the state in which your Zooga Studio is located imposes upon us a sales or other tax on Royalty Fees paid to us, then we shall have the right to collect this tax from you.

10.4 Interest on Late Payments

All Royalty Fees, Brand Development Fees (as described in <u>Section 12.1</u>), amounts due for purchases by you from us or our Affiliates, and other amounts which you owe to us or our Affiliates, if such payments are not paid when due, shall bear interest after the due date at a rate equal to one and one-half percent (1.5%) per month or the maximum interest rate permitted by law, whichever is less. Interest shall accrue from the original due date until payment in full is received by us. You acknowledge that this Section shall not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to or otherwise finance your operation of the Zooga Studio. You acknowledge that failure to pay all such amounts when due shall constitute grounds for termination of this Agreement as provided herein, notwithstanding the provisions of this Section.

10.5 Application of Payments

Notwithstanding any designation by you, we shall have sole discretion to apply any payments received from you or any indebtedness of yours to us or our Affiliates to any past due indebtedness of yours for Royalty Fees, Brand Development Fees, purchases from us or our Affiliates, interest, or any other indebtedness of yours to us.

10.6 Electronic Funds Transfer

10.6.1 At our request, you must sign and deliver to us any documents we require, which may include the Electronic Funds Transfer Agreement attached hereto as **<u>Exhibit J</u>**, to authorize us to debit your business operating account automatically for the Royalty Fee, Brand Development Fee, and other amounts due under this Agreement. You agree to make the funds available for withdrawal by electronic transfer before each due date.

10.6.2 If you fail to report the Zooga Studio's Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee and Brand Development Fee that we debited. If the Royalty Fee and Brand Development Fee debited from your account are less than the Royalty Fee and Brand Development Fee you actually owe to us (once we have determined the Zooga Studio's true and correct Gross Sales), we will debit your account for the balance of the Royalty Fee and Brand Development Fee due on the day we specify. If the Royalty Fee and Brand Development Fee debited from your account are greater than the Royalty Fee and Brand Development Fee actually owed, we will credit the excess against the amount we otherwise would debit from your account for the next payment due.

10.7 Technology Fee

In addition to the other continuing fees payable herein, and when we begin providing technology services, you agree to pay to us a technology fee ("Technology Fee") in the amount of Twenty Five Dollars ($25) per month. The Technology Fee is payable on the first Tuesday of each month.

We reserve the right to gradually increase the Technology Fee until it is Two Hundred Dollars ($200) per month. Once the Technology Fee is at Two Hundred Dollars ($200) per month, we have the right to increase the Technology Fee annually by five percent (5%) per year. We will provide you with prior written notice of any changes to the Technology Fee.

10.8 Payment to Vendors

We shall have the right under this Agreement to debit your bank account for and pay any vendor account of yours that is at least sixty (60) days old.

10.9 Insufficient Funds Fee

If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to Two Hundred Dollars ($200). This fee is in addition to interest on any overdue amount, as described in Section 10.4, and any fees charged by your bank. If you incur three (3) insufficient funds fees within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.

10.10 Non-Compliance Fee

In the event you are in default of any provision of this Agreement, we shall have the right to require you to pay to us on demand a non-compliance fee equal to Two Hundred Dollars ($200) per incident of default. You understand and acknowledge that (a) this fee may be assessed upon you if you commit the same default again, regardless of whether any previous incident of default was cured and/or the previously assessed non-compliance fee was paid; and (b) this fee shall be in addition to any other remedies we may have available to us pursuant to this Agreement or pursuant to applicable law.

10.11 Payment of Additional Fees

You shall pay such other fees or amounts described in this Agreement.

ARTICLE 11
ZOOGA STUDIO IMAGE AND OPERATION

11.1 Condition and Appearance of the Zooga Studio

11.1.1 You agree that: (a) neither the Zooga Studio nor the Site will be used for any purpose other than the operation of a Zooga Studio in compliance with this Agreement; (b) you will maintain the condition and appearance of the Zooga Studio, its equipment, fixtures, signs, and the Site in accordance with our specifications and standards and consistent with the image of a Zooga Studio; and (c) you will perform such maintenance with respect to the décor, equipment, fixtures, and signs of the Zooga Studio and the Site as may be required from time to time to maintain good condition, appearance, and efficient operation including, without limitation: (i) thorough cleaning, exterminating, repainting and redecorating of the interior and exterior of the Site on a daily basis or at reasonable intervals, as applicable; (ii) interior and exterior repair of the Site; (iii) repair or replacement of damaged, worn out or obsolete equipment, fixtures, and signs, provided we will not require you to replace any obsolete equipment unless we have initiated a program to replace such equipment as it becomes necessary in the Zooga Studio that we operate; (iv) you will not make any material alterations to the Site or to the appearance of the Zooga Studio as originally developed without our prior approval in writing; (v) subject to our approval of plans, layouts and designs, you will remodel, expand, redecorate, reequip and refurnish the Site and the Zooga Studio when required by us, but no more often than once every five (5) years, to reflect changes in the operation of Zooga Studio prescribed by us and required of new Zooga Studio franchisees. You shall have a reasonable time period remaining under this Agreement to amortize the costs of such improvements. Notwithstanding the provisions above, we can require you to change and/or upgrade equipment at any time to comply with new specifications and standards; and (vi) you will place or display at the interior and exterior of Site only such signs, emblems, lettering, logos, and display and advertising materials that are from time to time approved by us.

11.1.2 In addition to our rights to terminate this Agreement as set forth herein, if you do not maintain the condition and appearance of the Zooga Studio as herein required, we may, upon not less than ten (10) days' notice to you, or immediately in cases of health or sanitation hazards or other public endangerment: (a) arrange for the necessary cleaning, sanitation, repair, remodeling, upgrading, painting or decorating; or (b) replace the necessary fixtures, furnishings, equipment, or signs. You shall pay the entire cost thereof following the receipt of a bill for such work from us.

11.2 Products and Services Offered at the Zooga Studio

You agree that the Zooga Studio will offer for sale all Approved Products and Services and Products and related products and other services that we from time to time prescribe and that the Zooga Studio will make available all services that we prescribe from time to time for Zooga Studios. You agree that the Zooga Studio will not offer for sale or sell at the Site or any other location in conjunction with the Marks or any other marks any other products or services which have not been approved by us and in particular will not install at the Zooga Studio any vending machines or comparable devices.

Franchisees are required to provide approved programs, classes and events at locations other than the studio providing the off-site location is within their territory. This will allow franchisees to provide private classes at a customer's residence, special events and programs at an appropriate facility or possibly at an off-site location to handle the demand for classes if necessary.

11.3 Approved Products, Distributors and Suppliers

11.3.1 The reputation and goodwill of Zooga Studios are based upon and can be maintained only by the sale of distinctive, high quality Products and the presentation and packaging of such Products in an efficient and appealing manner. We have developed standards and specifications for the Products, materials and supplies incorporated in or used in the delivery of our Approved Products and Services authorized for sale at Zooga Studios. We have and will periodically approve suppliers and distributors of the foregoing Products that meet our standards and requirements including, without limitation, standards and requirements relating to quality, prices, consistency, reliability, financial capability, labor relations and customer relations. You agree that the Zooga Studio will: (a) purchase the Products only from designated suppliers and sell such Products; and (b) purchase from distributors and other suppliers approved by us all other goods, materials and supplies used in the preparation or sale of Products, and equipment, forms, paper and plastic products, packaging or other materials that meet our standards and specifications for the same. We may from time to time modify the list of approved brands and/or suppliers and you shall not, after receipt in writing of such modification, reorder any brand from any supplier which is no longer approved.

11.3.2 We may approve a single distributor or other supplier for any Product and may approve a distributor or other supplier only as to certain Products. We may concentrate purchases with one (1) or more distributors or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Zooga Studios, whether franchised or operated by us. Approval of a distributor or other supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, prompt attention to complaints, or other criteria and concentration of purchases as set forth above and may be temporary pending a further evaluation of such distributor or other supplier by us.

11.3.3 If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within a reasonable time after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier. We are not required to make available to you or to any supplier our criteria for product or supplier approval. You or the supplier must pay our then-current fee for our evaluation, but if we approve the proposed product or supplier for the System, we will waive or refund (if paid) such evaluation fee.

11.3.4 In the event you sell any products, novelty items, clothing or souvenirs or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice from us: (i) cease and desist offering or providing the unauthorized or unapproved product, novelty item, clothing or souvenir or from performing such services and (ii) pay to us, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars ($250) per day for each day such unauthorized or unapproved product, novelty item, clothing, souvenir or service is offered or provided by you after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to us under this Agreement or at law.

11.4 Pricing

With respect to the offer and sale of all Approved Products and Services, we may from time to time offer guidance with respect to the selling price for such goods, products and services; or we may determine the minimum and/or maximum selling prices for such Approved Products and Services, as permitted by applicable law, and you shall be bound to adhere to any such recommended or required pricing. If you sell any or all Approved Products and Services at any price recommended or required by us, you acknowledge that we have made no guarantee or warranty that offering such Products or Services at the recommended or required price will enhance your sales or profits.

11.5 Specifications, Standards and Procedures

11.5.1 You acknowledge that the operation of the Zooga Studio in compliance with our high standards is important to us and other Zooga Studios and you agree to maintain such high standards in the operation of the Zooga Studio. You agree to comply with all mandatory specifications, standards and operating procedures relating to the appearance, function, cleanliness, days and hours of operation (subject to applicable law or the terms of your lease), number of telephone lines and operation of a Zooga Studio, and with our requirements for the décor, equipment, format and image of a Zooga Studio as they may be developed or changed by us from time to time. You acknowledge and agree that all mandatory specifications, standards, and operating procedures prescribed from time to time by us in the Manual or otherwise shall constitute binding obligations on your part, and any failure by you to adhere to such mandatory specifications, standards and operating procedures shall constitute grounds for termination of this Agreement by us as provided for herein. All references herein to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

11.5.2 You acknowledge that due to peculiarities of particular market areas and circumstances, complete and detailed uniformity may not be practical or in the best interests of all Zooga Studios. We reserve the right to vary, in our sole discretion, standards and procedures as they relate to a particular franchisee or group of franchisees. Nothing in this Agreement shall be construed to require us to grant you a like variance, or to permit you to modify the standards and procedures required for the operation of your Zooga Studio. Any such variances or modifications shall be in our sole and absolute discretion.

11.6 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Zooga Studio is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder.

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, you expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

11.7 Compliance with Laws and Good Business Practices

You shall secure and maintain in force in your name all required licenses, permits, and certificates relating to the conduct of your business pursuant to this Agreement. You shall operate the Zooga Studio in full compliance with all applicable laws, ordinances and regulations including, without limitation, immigration law, worker's compensation insurance, unemployment insurance, and withholding and payment of all taxes. All advertising by you shall be completely factual, in good taste in our judgment, and shall conform to high standards of ethical advertising. You shall in all dealings with your customers, suppliers, us, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Zooga Studios. You shall notify us in writing within five (5) days of your learning of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of you or the Zooga Studio.

You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

11.8 Management and Personnel of the Zooga Studio

11.8.1 Your Zooga Studio must be under the daily supervision of either you (if you are an individual) or a Principal Owner who has at least a twenty-five percent (25%) ownership interest in you (if you are a corporate entity). Under certain circumstances, we may allow you to appoint a designated manager to supervise the day-to-day operations of the Zooga Studio. Your designated manager must successfully complete our initial training program. We do not require that your designated manager have an ownership interest in the Zooga Studio. Zooga Studios must be open on the days and during the hours we specify in the Manual, subject to applicable law and the terms of your lease.

11.8.2 Upon the death, disability or termination of employment of your designated manager, you shall immediately notify us and designate a successor or acting designated manager who meets our then-current criteria. In no event shall the appointment of a successor or acting manager be more than ten (10) days after the death, disability or termination of the predecessor manager. Each successor designated manager must satisfactorily complete our initial training program within thirty (30) days of appointment by you.

11.8.3 You shall hire all employees of the Zooga Studio and shall be exclusively responsible for the terms of their employment, compensation and for the proper training of such employees in the operation of the Zooga Studio. We may require you to obtain confidentiality and non-competition agreements from your supervisorial and managerial employees. You shall establish at the Zooga Studio for all employees, a training program meeting the standards prescribed by us.

11.8.4 During the term of this Agreement, we shall not directly or indirectly employ or seek to employ any person who is employed by you or by any entity controlled by you nor induce any such person to leave said employment without your prior written consent.

11.8.5 All of your employees must pass the rigorous screening test required by us.

11.8.6 You shall take all action necessary to ensure that your employees understand and acknowledge that they are not our employees, including, without limitation, requiring your employees to sign a written acknowledgement that you are an independently owned and operated franchisee and their sole employer in a form we specify in the Manual or otherwise in writing from time to time.

11.9 Insurance

11.9.1 During the term of this Agreement, you shall maintain in force under policies of insurance issued by licensed insurers approved by us the categories and amounts of insurance coverage specified by us in the Manual. All policies must be written by a responsible carrier or carriers that we determine to be acceptable and that are rated at least "A" with A.M. Best. You acknowledge and understand that we have the right to change our insurance requirements, and you shall comply with such changes. As of the date of this Agreement, our current insurance requirements include:

(a) public/general liability insurance, including child molestation coverage, in the amount of One Million Dollars ($1,000,000) per occurrence, Three Million Dollars ($3,000,000) aggregate and One Hundred Thousand Dollars ($100,000) damage to rented premises per occurrence;

(b) personal and advertising injury coverage with limits of One Million Dollars ($1,000,000) per occurrence and Ten Thousand Dollars ($10,000) per person medical benefits;

(c) products/completed operations coverage of One Million Dollars ($1,000,000) aggregate;

(d) property damage insurance including all perils coverage to personal property with a minimum amount of Fifty Thousand Dollars ($50,000);

(e) automobile insurance for any owned, non-owned or hired vehicles, and including uninsured/underinsured motorist coverage, as required by the state in which the Zooga Studio is located;

(f) business interruption insurance to cover lost income for up to twelve (12) months;

(g) money and securities insurance of not less than Ten Thousand Dollars ($10,000) per occurrence inside and One Thousand Dollars ($1,000) per occurrence outside;

(h) workers compensation and employer liability insurance in the amounts required by the state in which the Zooga Studio is located; and

(i) any insurance required by the terms of your lease or that we may require in the future.

11.9.2 You shall also maintain such additional insurance as is necessary to comply with all legal requirements concerning insurance. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance.

11.9.3 The insurance policies required herein shall:

(a) name us and our Affiliates as additional named insured and contain a waiver of all subrogation rights against us, our Affiliates, and our respective successors and assigns;

(b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy;

(c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured;

(d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement;

(e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement;

(f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement; and

(g) not have a deductible greater than One Thousand Dollars ($1,000).

11.9.4 You shall provide us with evidence of the insurance required hereunder not later than fifteen (15) days before the Zooga Studio opens. You shall provide us with a complete copy of each insurance policy no more than thirty (30) days after our request for same. Thereafter, prior to the expiration of the term of each insurance policy, you shall furnish us with evidence of each renewal or replacement insurance policy to be maintained by you for the immediately following term and evidence of your payment of the premiums. If you fail or refuse to maintain required insurance coverage or to furnish satisfactory evidence thereof and the payment of the premiums, we may, at our option, and in addition to our other rights and remedies hereunder, obtain such insurance coverage on your behalf and you shall fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of the Zooga Studio which are required to obtain or maintain such insurance and pay to us on demand any costs and premiums incurred by us plus a ten percent (10%) administrative fee. If you fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement, then we may terminate this Agreement upon notice of termination without opportunity to cure.

11.9.5 The maintenance of sufficient insurance coverage shall be your responsibility. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

11.10 Credit Cards and Other Methods of Payment

If we require, you shall, at all times, have arrangements in existence with a full range of credit and debit card issuers or sponsors, check verification services and electronic fund transfer systems as we designate from time to time in order that the Zooga Studio may accept customers' credit and debit cards, checks and other methods of payment.

You shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Manual or otherwise in writing. You shall fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you or another Zooga Studio. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Manual or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other Zooga Studios and for making timely payment to us, other operators of Zooga Studios, or a third-party service provider for Gift Cards issued from the Zooga Studio that are honored by us or other Zooga Studio operators.

11.11 Best Efforts, Sole Purpose

11.11.1 You and your Principal Owners agree to use their best efforts to develop and expand the market for the Approved Products and Services offered by the Zooga Studio and to cooperate with us to accomplish the purposes of this Agreement.

11.11.2 If you are a corporation, partnership, limited liability company or other legal entity, you will not, directly or indirectly, engage in any business or other activity other than the development and operation of Zooga Studios pursuant to agreements with us.

11.12 Website

We alone may establish, maintain, modify or discontinue all Internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more Websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Zooga Studio a "click through" subpage at our Website for the promotion of your Zooga Studio. If we establish one or more Websites or other modes of electronic commerce and if we provide a "click through" subpage at the Website(s) for the promotion of your Zooga Studio, you must routinely provide us with updated copy, photographs and news stories about your Zooga Studio suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any Websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products and services available at Zooga Studios – also be devoted in part to offering Zooga Studio franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an Intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own

Website; otherwise maintain a presence or advertise on the Internet or any other mode of electronic commerce in connection with your Zooga Studio; establish a link to any Website we establish at or from any other Website or page; or at any time establish any other Website, electronic commerce presence or URL which in whole or in part incorporates the "Zooga" name or any name confusingly similar to the Marks.

You are not permitted to promote your Zooga Studio or use any of the Marks in any manner on any social or networking Websites, such as Facebook, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Zooga Studio's operation, including prohibitions on your and your employees posting or blogging comments about the Zooga Studio or the System, other than on a Website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, Instagram and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage. We reserve the right, at any time, to revoke your ability to use social media and/or to maintain a social media Website.

11.13 Zooga Studio Memberships and Reciprocity

Each Zooga Studio offers memberships and pay-as-you-go services. We reserve the right to develop a program where you must honor all Zooga studio memberships, regardless if the membership was sold at your Franchised Business or at another Zooga Studio in the System. You must participate in any reciprocity program we institute in the future.

11.14 Business Organization Memberships

During the term of this Agreement, you shall maintain memberships in the business organizations we specify. Such organizations may include, but are not limited to, your local Chamber of Commerce.

11.15 Video Surveillance

You shall at all times during the term of this Agreement maintain the video surveillance equipment and monitoring that we designate. You shall ensure that we shall have independent access to your live video surveillance feed and any recorded video surveillance and the times and in the manner we require. You shall retain all video surveillance recordings in the manner and for the periods of time that we require.

ARTICLE 12
MARKETING

12.1 Marketing by Us

12.1.1 We have established a "Fund" which operates as a Brand Development Fund for such advertising, marketing and public relations programs as we in our sole discretion deem necessary or appropriate to promote Zooga Studios. You shall contribute to the Fund an amount equal to one percent (1%) of Gross Sales payable at the same time and in the same manner as the Royalty Fees payable hereunder ("Brand Development Fee"). Zooga Studios owned by us and our Affiliates will contribute to the Fund on the same basis as you.

12.1.2 We or our designee shall administer the Fund as follows:

(a) We or our designee shall direct all advertising and public relations programs financed by the Fund with sole discretion over the creative concepts, materials and media used in such programs.

(b) The Fund may be used to pay the costs of developing marketing ideas and concepts; developing market research and merchandising programs; preparing marketing campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements; preparing public relations campaigns; providing technical and professional advice in connection with any of the above; and placement of advertising. We may also use a portion of the Fund to support our website, including webpages for our franchisees and social media initiatives. We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee). The Fund and its earnings will not otherwise benefit us.

(c) You must participate in all advertising and public relations programs conducted by the Fund. The Fund may furnish you with samples of certain marketing, advertising and promotional formats and other such materials without charge. We may spend any contributions to the Fund on advertising that is a solicitation of new franchisees.

(d) All sums paid by franchisees to the Fund, plus income earned from the Fund, shall be maintained in an account separate from our other funds and shall not be used by us for any purposes other than those provided for herein. Upon your request, we will prepare an annual accounting of the Fund, and will distribute it to Zooga Yoga franchisees once a year that will state the total amount of money collected and spent by the Fund during the previous year and list, by general category, the manner in which we spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of our books.

(e) We may spend, in any fiscal year, an amount greater or less than the aggregate contribution of all Zooga Studios to the Fund in that year. The Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. Any monies remaining in the Fund at the end of any fiscal year shall carry over to the next fiscal year.

(f) You authorize us to collect for remission to the Fund any advertising or promotional monies or credits offered by any supplier based upon purchases by you. Any advertising or promotional monies or credits collected by us from any supplier based upon purchases by you shall not be credited toward your required contribution to the Fund.

(g) We will have the right to cause the Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity shall have all our rights and duties pursuant to this Section.

(h) You understand and acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Zooga Studios generally. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs and to place advertising in order to benefit all Zooga Studios, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Zooga Studios operating in that geographic area or that any Zooga Studio will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. You acknowledge that your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. Except as expressly provided in this Paragraph (h), we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund. You acknowledge and agree that we have no fiduciary obligation to you or any other Zooga Studio in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. We expressly disavow the existence of any such fiduciary relationship.

(i) We retain the right, in our sole discretion, to terminate the Fund. The Fund shall not be terminated until all monies in the Fund have been expended for advertising and promotional purposes. If we terminate the Fund, we shall have the right to reinstate such Fund. Any reinstated Fund shall be maintained and operated as described in this Section 12.1.

12.2 Marketing by You

12.2.1 You must conduct local marketing and promotional programs in the Designated Territory to promote your Zooga Studio. You must provide us with a report semi-annually detailing your local marketing activities. The information we may request includes verification copies of your advertising and copies of bills for expenses related to a promotional party. During the term of this Agreement, you must spend a minimum for local marketing and promotion of Three Hundred Dollars ($300) per month.

12.2.2 The amounts you spend for local marketing and promotion do not include any reimbursed expenses or direct expenses made by a supplier of your Zooga Studio, nor do they include any dues you pay for your local Chamber of Commerce and other community organizations you join to promote your Zooga Studio.

12.2.3 Any marketing or promotional materials you propose to use that have been prepared by or for you, or that we have not approved in the immediately preceding twelve (12) month period, must be submitted to us and receive our approval before you may use the materials. The proposed materials must be submitted to us not later than fourteen (14) days before you intend to use them. If we do not disapprove of the proposed materials within seven (7) days after we receive them, they are deemed approved. Any marketing or promotional materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local advertising, including "Franchises Available" and our Website address and telephone number.

12.3 Marketing Cooperatives

We may, in our discretion, create a local or regional marketing cooperative ("Cooperative") in any area, and establish the rules and regulations therefor, or we may approve of a Cooperative formed by our franchisees. Immediately upon our request, you must become a member of the Cooperative for the area in which some or all of your Designated Territory is located. In no event may your Zooga Studio be required to be a member of more than one (1) Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make periodic contributions thereto in an amount not to exceed fifty percent (50%) of the member's local marketing requirement. You understand and acknowledge that other members of the Cooperative may contribute at lower or higher rates than you contribute because such members have been in the System for a longer or shorter time than you and, consequently, their local marketing requirement may differ from your local marketing requirement. Any funds contributed to a Cooperative will be credited against your obligation to pay for local marketing as set forth in Section 12.2; provided, however, that if any amount you contribute to a Cooperative is less than the amount you are required to expend for local marketing, you shall nevertheless spend the difference locally. The following provisions apply to each Cooperative:

12.3.1 the Cooperative must be organized and governed in a form and manner, and commence operation on a date that we approve in advance in writing;

12.3.2 the Cooperative must be organized for the exclusive purpose of administering marketing programs and developing, subject to our approval, standardized promotional materials for the members' use in local marketing within the Cooperative's area;

12.3.3 the Cooperative may adopt its own rules and procedures, but such rules or procedures must be approved by us and must not restrict or expand your rights or obligations under this Agreement;

12.3.4 except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the Cooperative at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon you if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each Zooga Studio having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the Cooperative regardless of the number of Zooga Studios owned;

12.3.5 without our prior written approval, the Cooperative may not use, nor furnish to its members, any marketing or promotional plans or materials; all such plans and materials must be submitted to us in accordance with the procedure set forth in Section 12.2;

12.3.6 the Cooperative may require its members to periodically contribute to it in such amounts as it determines, subject to the maximum member contribution described above;

12.3.7 each member/franchisee must submit its contribution under Section 12.3.6 to the Cooperative, together with such statements or reports as we or the Cooperative may require, with our prior written approval;

12.3.8 If an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to us for consideration, and its resolution of such issue is final and binding on all Cooperative members;

12.3.9 we may require Cooperative members to contribute at different rates; and

12.3.10 the Cooperative is not required to prepare a financial statement.

12.4 Local Marketing Materials

We may from time to time develop localized marketing and sales promotion campaigns and materials employing certain marketing programs, displays, direct mail materials, promotions, brochures, catalogues, printed materials, contests, premiums, incentive prizes, gifts, ad specialties, posters, billboards and other merchandising techniques. If you procure from us any such localized marketing materials, then you shall pay us for any such materials purchased on such terms and at such times as we in our sole and exclusive discretion determine from time to time.

12.5 Test Marketing

We may from time to time conduct market research to determine consumer trends and test new products and services. You agree to participate in such market research in the manner we request, which may include purchasing reasonable amounts of test products or services from us and offering and selling such test products or services from the Zooga Studio.

12.6 Testimonials and Endorsements

You agree to permit us or our agents or representatives to communicate with customers of the Zooga Studio on or off the premises of the Zooga Studio for the purpose of procuring testimonials and/or endorsements of Zooga Studios, its Products and its Services. You further agree that we may make any or no use of such testimonials without compensation to you.

12.7 Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by Zooga Studios, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed it will act solely in an advisory capacity and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. The advisory council will include our representatives and franchisee representatives, and all representatives will be chosen by us. If you participate in an advisory council, you will pay any expenses you incur related to your participation, which may include travel, lodging and meals expenses if you must travel to attend meetings.

ARTICLE 13
ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

13.1 Record Keeping

You shall establish and maintain, at your own expense, a bookkeeping, accounting, record keeping and records retention system conforming to the requirements prescribed by us from time to time, which includes you obtaining and maintaining a point of sale or computer system ("computer system") that we specify or approve. Each transaction of the Zooga Studio shall be processed on the computer system in the manner we prescribe. We shall have at all times the right to independently access the computer system and all data processed on the computer system with respect to the Zooga Studio, including, without limitation, your membership and customer database. You shall take such action as may be necessary to provide such access to us, at your expense. You understand and agree that your membership and customer database will, at all times, remain our property and that you shall be an authorized user of such database during the term of this Agreement. In no event shall you retain a copy of such database after the termination or expiration of this Agreement.

13.2 Reports

With respect to the operation and financial condition of the Zooga Studio, you shall furnish to us, in the form we prescribe, from time to time: (a) the Royalty Report, as described in Section 10.2; (b) within fifteen (15) days after the end of each calendar month, an income statement for such month in the form and containing such information as we require; (c) within thirty (30) days of the end of each calendar quarter, a statement of profit and loss for that quarter and a balance sheet as of the end of such quarter; (d) upon our request, such other data, information, and supporting records for such periods as we, from time to time, require; and (d) not later than March 15th each year, a fiscal year-end balance sheet, a statement of profit and loss for the previous calendar year reflecting all year-end adjustments and a statement of changes in cash flow. We reserve the right to require you to follow our fiscal year end. All reports and statements must be prepared in accordance with generally accepted accounting principles consistently applied. Each report and financial statement submitted by you to us shall be signed by you and verified as correct in the manner we prescribe. You hereby authorize us to use and/or publish information derived from your financial statements including, without limitation, our Disclosure Document and related documents, without compensation to you.

13.3 Tax Returns

You agree to maintain and to furnish to us, upon request, complete copies of all income, sales, value added, use and service tax returns filed by you reflecting activities of the Zooga Studio.

13.4 Maintenance of Financial Records

You shall preserve for three (3) years all business, accounting, tax, inventory, financial, legal, personnel, operations and other records relating to the Zooga Studio and to you. We shall have the right with or without prior notice to inspect, audit and copy such records during business hours. You shall make such records available for examination at the Zooga Studio.

ARTICLE 14
INSPECTIONS AND AUDITS

14.1 Our Right to Inspect the Zooga Studio

To determine whether you and the Zooga Studio are complying with this Agreement and with specifications, standards and operating procedures we prescribe for the operation of Zooga Studio, we or our agents or representatives shall have the right at any reasonable time before or after the Zooga Studio opens to: (a) inspect the Site and the equipment, fixtures, signs, food, inventory and supplies of the Zooga Studio; (b) observe, photograph and video tape the operations of the Zooga Studio for such consecutive or intermittent periods as we deem necessary; (c) remove samples of any Products without payment therefor for testing and analysis; (d) interview personnel of the Zooga Studio; (e) interview customers of the Zooga Studio; and (f) inspect and copy any books, records and documents relating to the operation of the Zooga Studio. You agree to cooperate fully with us and/or our agents in connection with any such inspections, observations, photographing and videotaping, Product removal and interviews. You shall present to your customers such evaluation forms as we periodically prescribe and shall participate and/or request your customers to participate in any surveys performed by us or on our behalf.

You shall install and maintain the communications equipment and software necessary to permit us to independently electronically access your computer system, thereby permitting us to inspect and monitor information concerning your inventory, sales of the Zooga Studio, Gross Sales, and such other information as may be contained or stored in the computer system. We shall have electronic access as provided herein at such times and in such manner as we shall from time to time specify.

14.2 Our Right to Audit

We shall have the right, at any time during business hours and with reasonable notice to you, to inspect and audit or cause to be inspected and audited the business records, bookkeeping and accounting records, value added, sales, use and service and income tax records and returns and other records of the Zooga Studio, and the books and records of any corporation, partnership, limited liability company or other entity which holds the Franchise. Any such audit may be performed by independent accountants hired by us. You shall fully cooperate with our representatives and independent accountants hired by us to conduct any such inspection or audit. Our right to audit shall also include our right to access the computer system electronically, as provided in this Agreement.

In the event any such inspection or audit shall disclose an understatement of the Gross Sales of the Zooga Studio, you shall pay to us, within fifteen (15) days after receipt of the inspection or audit report, the Royalty Fees and Brand Development Fees due on the amount of such understatement plus interest at the rate and on the terms provided for herein from the date originally due until the date of payment. In the event an understatement of Gross Sales for any period included in any audit is determined by any such audit or inspection to be two percent (2%) or more, then (a) you must pay any understated amount together with interest thereon, and (b) you shall reimburse us for the cost of such inspection or audit including, without limitation, reasonable legal fees and accountants' fees, and the travel expenses, room and board and applicable per diem charges for our representatives or agents. The foregoing remedies shall be in addition to all our other remedies and rights hereunder or under applicable law.

ARTICLE 15
INDEPENDENT CONTRACTORS; INDEMNIFICATION

15.1 Independent Contractors

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that we and you are and shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. You shall conspicuously identify yourself in all dealings with customers, suppliers, public officials, your personnel, and others as the independent owner of the Zooga Studio under a Franchise granted by us and shall conspicuously and prominently place such other notices of independent ownership on the Site and on such forms, business cards, stationery, advertising, and other materials as we may require from time to time.

15.2 No Liability for Acts of Other Party

You shall not employ any of the Marks in signing any contract, application for any license or permit, or in a manner that may result in our liability for any indebtedness or obligation of yours, nor will you use the Marks in any way not expressly authorized herein. Except as expressly authorized in writing, neither we nor you shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. Neither we nor you shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We shall not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Zooga Studio or your business authorized by or conducted pursuant to the Franchise.

15.3 Taxes

We shall have no liability for any sales, value added, use, service, occupation, excise, gross receipts, income, property, payroll or other taxes whether levied upon this Agreement, you, the Zooga Studio, your property, or upon us in connection with the sales made or business conducted by you, except any taxes that we are required by law to collect from you with respect to purchases from us. Payment of all such taxes shall be your responsibility. The term "taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us.

15.4 Indemnification

You agree to indemnify, defend and hold us, our Affiliates, and our respective shareholders, directors, officers, employees, agents, successors and assignees harmless against and to reimburse them for (a) all claims, obligations and damages described in this Section, (b) any and all taxes described above, and (c) any and all claims and liabilities directly or indirectly arising out of the operation of the Zooga Studio, the use of the Marks, or the transfer of any interest in this Agreement, the Franchise, the Zooga Studio, some or all of the assets of the Zooga Studio, other than the sale of inventory items in the ordinary course of business, or you in any manner not in accordance with this Agreement. Your indemnification obligations do not apply to the extent that such claims, obligations, damages, taxes, losses or liabilities arise from our negligence or wrongful conduct. For purposes of this indemnification, "claims" shall mean and include all obligations, actual and consequential damages, and costs incurred in the defense of any claim against us including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. We shall have the right to defend any such claim in such manner as we deem appropriate or desirable in our sole discretion. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration, termination or non-renewal of this Agreement.

RELATIONSHIP OF THE PARTIES

15.5 No Relationship

The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that you shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

It is intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. If we incur any cost, loss of damages as a result of any actions or omissions of you our your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such loss.

15.6 Hiring Practices

1. You and the Controlling Principals understand that compliance by all franchisees operating under the System with our training, development and operational requirements is an essential and material element of the System and that we, our franchisees operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Studios. Accordingly, you and the Controlling Principals agree that if you or any Controlling Principal shall, during the term of this Agreement, designate as Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by us, including, but not limited to, individuals employed to work in a Zooga Studios operated by us or by any other franchisee, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by you to the former employer prior to such individual assuming the position of Designated Manager position unless otherwise agreed with the former employer. In seeking any individual to serve as Designated Manager or in such other managerial position, you and the Controlling Principals shall not discriminate in any manner whatsoever to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if you or any Controlling Principal designate or employ such individual. The parties hereto expressly acknowledge and agree that no current or former employee of us, you, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this

Section, such former employer shall be a third party beneficiary of this Section 6.6. We hereby expressly disclaim any representations and warranties regarding the performance of any employee or former employee of ours, or any franchisee under the System who is designated as your Designated Manager or employed by you or any of the Controlling Principals in any capacity, and we shall not be liable for any losses, of whatever nature or kind, incurred by you or any Controlling Principal in connection therewith.

You are solely responsible for hiring, firing and establishing employment policies applicable to your employees, and understand and agree that this Franchise Agreement does not impose any controls, or otherwise impinge, on your sole discretion to make all employment-related decisions.

No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts employee or employment-related responsibility from you to us. You alone are solely responsible for the acts and omissions of your employees and agents, including, without limitation, your Designated Manager, and for the hiring, firing, training, setting hours for and supervising all of your employees.

ARTICLE 16
TRANSFER

16.1 Transfer by Us.

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "ZOOGA YOGA ENTERPRISES, INC." as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

16.2 You May Not Transfer Without Our Approval

16.2.1 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the rights hereunder to you in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Accordingly, neither (a) this Agreement nor (b) any interest in the ownership of you, the Franchise, the Zooga Studio or some or all of the assets of the Zooga Studio, other than inventory items in the ordinary course of business, may be transferred without our prior written approval. Any such transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, the Franchise, you, the Zooga Studio or in the assets thereof.

16.2.2 As used in this Agreement, the term "transfer" shall mean and include the voluntary, involuntary, conditional, direct or indirect assignment, sale, gift or other transfer by you or any of your Owners of any interest in or grant of any security interest in (a) this Agreement; (b) the Franchise; (c) you; (d) the Zooga Studio; or (e) some or all of the assets of the Zooga Studio, other than inventory items in the ordinary course of business.

16.2.3 As used above, an assignment, sale or other transfer shall include the following events:

(a) the transfer of ownership of shares, partnership interest, or other Ownership Interests;

(b) merger or consolidation or issuance of additional securities representing Ownership Interests;

(c) any sale of Ownership Interests carrying voting rights of you or any security convertible to voting Ownership Interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an Ownership Interest; or

(d) transfer in a divorce, insolvency, corporate or partnership dissolution proceeding, or in the event of the death of you or one of your Owners, by will, declaration of or transfer in trust, or under the laws of intestate succession or otherwise by operation of law.

16.2.4 Notwithstanding the foregoing, the restrictions on transfers set forth above shall not apply to:

(a) a transfer of Ownership Interests in you by an Owner who is not a Principal Owner provided that:

(1) you have given us written notice of the proposed transfer at least ten (10) days in advance of the effective date of the transfer;

(2) the transfer is not to a Competitive Business or to a direct or indirect owner of a Competitive Business; and

(3) the proposed transfer does not by itself or in conjunction with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling Interest in you; or

(b) any transfer of stock options that does not by itself or in combination with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling Interest in you.

16.3 Conditions for Approval of Transfer

16.3.1 We will not unreasonably withhold our approval of a transfer of an interest in this Agreement, you, the Franchise, the Zooga Studio, or any of the Zooga Studio's assets that meets all the applicable requirements of this Section. All of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(a) you and your Owners shall be in full compliance with this Agreement;

(b) the proposed transferee and its owners must be individuals of good moral character and otherwise meet our then-applicable standards for Zooga Studio franchisees, and if the proposed transferee, its owners or Affiliates have any other franchise agreements or development agreements with us, they are in full compliance with any such agreements and comply with clause (f) of Section 16.3.2;

(c) a transfer of ownership in the Zooga Studio or the assets of the Zooga Studio, other than inventory in the ordinary course of business, may only be made in conjunction with a transfer of this Agreement. If the transfer is of an Owner's interest in you then the transferee's name and relevant information shall be added as **Exhibit A** hereto and the transferee shall then be bound by all provisions applicable to Owners;

(d) you and your Owners or the transferring Owner(s) and the transferee (if it is then a franchisee of ours) must execute a general release in form satisfactory to us of any and all claims against us, our Affiliates and our respective shareholders, officers, directors, employees and agents; and

(e) you have complied with the provisions of Section 16.7 below relating to our right of first refusal.

16.3.2 In addition to the above, if the transfer is of this Agreement, a Principal Owner's interest, or a Controlling Interest in you, or is one of a series of transfers which, in the aggregate, constitute the transfer of this Agreement or a Controlling Interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(a) the transferee must have sufficient business experience, aptitude and financial resources to operate the Zooga Studio and perform the obligations of the transferor under this Agreement, and neither the transferee nor its owners may be engaged in or intend to engage in a Competitive Business;

(b) you and the transferee (if it is then a franchisee of ours) must pay such Royalty Fees, Brand Development Fees, amounts owed for purchases by you (or such transferee) from us and our Affiliates, and all other amounts owed to us or our Affiliates which are then due and unpaid;

(c) the transferee and its personnel who will have access to the Confidential Information must have signed the Confidentiality and Non-Competition Agreement and have completed our training program to our satisfaction;

(d) the transferee and its owners, at our option, must agree in a manner satisfactory to us to be bound by all terms and conditions of this Agreement for the remainder of its term or execute our then-current form of franchise agreement and such ancillary documents, including guarantees, as are then customarily used by us in the grant of franchises for a Zooga Studio, modified as necessary to provide for the same Royalty Fees required hereunder and a term equal to the remaining term of this Agreement;

(e) you or the transferee must have paid us a transfer fee to cover our reasonable costs in effecting the transfer and in providing initial assistance to transferee. The transfer fee payable hereunder shall be (a) fifty percent (50%) of our then-current initial franchise fee for a single unit franchise, if the transfer is to a new franchisee for the System; or (b) thirty-three percent (33%) of our then-current initial franchise fee for a single unit franchise, if the transfer is to an existing franchisee in the System; or (c) $1,500 for a single unit franchise, if the transfer is between existing owners that have already been approved or if you are adding a new shareholder that does not change the majority ownership in the franchisee entity.

(f) we must approve the material terms and conditions of such transfer including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect our rights and interests under this Agreement, and you must furnish to us a copy of the executed contract of assignment;

(g) if you and/or your transferring Owner(s) finances any part of the sale price of the transferred interest, you and/or your transferring Owner(s) must agree in a manner satisfactory to us that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by you and/or your transferring Owner(s) in the assets of the Zooga Studio shall be subordinate to the obligations of the transferee to pay Royalty Fees, Brand Development Fees, and other amounts due to us and our Affiliates, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee;

(h) if this Agreement is being transferred, you and your Principal Owners must execute a non-competition agreement in favor of us and the transferee. If a Principal Owner is transferring his/her interest, such Principal Owner must execute a non-competition agreement in favor of us and the transferee. In either case, the non-competition agreement shall provide that neither you, your Principal Owner(s) nor your transferring Principal Owner(s) (whichever is applicable) nor any member of their immediate families shall directly or indirectly for a period of two (2) years commencing on the effective date of such transfer:

(1) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within ten (10) miles of your Zooga Studio or any other Zooga Studio in the System; or

(2) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business located or operating within ten (10) miles of your Zooga Studio or any other Zooga Studio in the System; or

(3) employ or seek to employ any person who is employed by us or our Affiliates. Neither shall such person employ or seek to employ any franchisee of ours, nor induce or attempt to induce any of the above-mentioned employees to leave said employment;

(i) the proposed transferee must furnish the information and references we require of potential franchisees and must present himself/herself at his/her own expense for a personal interview at our office;

(j) the lessor or sublessor of the Zooga Studio must consent in writing to the assignment of your lease to the proposed transferee;

(k) if the proposed transferee is acquiring a portion of the interest in the legal entity that is you, then the proposed transferee must execute our form of guaranty;

(l) except in the case of a transfer of a Principal Owner's interest that does not constitute a Controlling Interest, the transferee, at its expense, must upgrade the Zooga Studio to conform to the then-current standards and specifications for new franchises; and

(m) the transfer must be made in compliance with all applicable laws.

16.3.3 Clauses (h) and (i) of Section 16.3.2 shall not apply to transfers by gift, bequest, or inheritance. The restrictions of Section 16.3.2(h)(1) shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

16.3.4 The rights of you and your Owners to transfer interests in this Agreement, the Franchise, you, the Zooga Studio or the assets of the Zooga Studio may be exercised only by you or your Owners and shall not be exercisable by a receiver, executor, trustee, liquidator or other person acting in a comparable capacity with respect to the assets or ownership of you.

16.4 Transfer to a Wholly Owned Corporate Entity

If you are in full compliance with this Agreement, then we shall not unreasonably withhold our approval of a one (1) time transfer, in the case of a proposed assignment or transfer of this Agreement, of the Franchise and the Zooga Studio from one or more individuals to a corporation or comparable legal entity which conducts no business other than the Zooga Studio, which is actually managed by you, in which such individual(s) maintain management control, and such individual(s) shall own and control the same percentage of the equity and voting power of all issued and outstanding Ownership Interests of such entity. Such one (1) time transfer shall not require payment of the transfer fee described in Section 16.3.2(e). All certificates or other documents representing Ownership Interests of such legal entity must be endorsed with a legend in form we approve reciting that the transfer of shares in you are subject to the restrictions of this Agreement. Such an assignment shall not relieve you of your obligations hereunder. You shall remain jointly and severally liable to us for all obligations hereunder.

16.5 Your Death or Incapacity

16.5.1 Upon your death or disability, or if you are a corporation, limited liability company, partnership, or other legal entity, upon the death or disability of a Principal Owner of you, all of such person's interest in this Agreement or such interest in you shall be transferred to a transferee reasonably approved by us. Such disposition of this Agreement or such interest in you, including, without limitation, transfer by bequest or inheritance, shall be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and shall be subject to all the terms and conditions applicable to transfers contained in this Section. Failure to so transfer the interest in this Agreement or such interest in you within said period of time shall constitute a breach of this Agreement.

16.5.2 If, upon the death or disability of you or a Principal Owner, the Zooga Studio is not being managed by a trained manager, your or that Principal Owner's executor, administrator, conservator, guardian or other personal representative must, within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager to operate the Zooga Studio. The manager must complete training at your expense. Pending the appointment of a manager as provided above, or if in our judgment the Zooga Studio is not being managed properly any time after your or the Principal Owner's death or disability, we may, but need not, assume management of the Zooga Studio. All funds from the Zooga Studio's operation during the period we are managing it will be kept in a separate account and all of the Zooga Studio's expenses will be charged to this account. We may charge a reasonable management fee plus our out-of-pocket costs. Our operation of the Zooga Studio during any such period will be solely on your behalf but we only have a duty to utilize reasonable efforts and will not be liable to you or the Owners for any debts, losses or obligations the Zooga Studio incurs or to any creditors for any products, materials, supplies or services the Zooga Studio purchases during any period when we manage the Zooga Studio hereunder.

16.6 Effect of Consent to Transfer

Our consent to a transfer of this Agreement or any interest in you, the Zooga Studio, or the assets of the Zooga Studio shall not constitute a waiver of any claims we may have against you or your Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

16.7 Our Right of First Refusal

If you or any of your Owners shall at any time determine to sell an interest in this Agreement, the Franchise, the Zooga Studio, some or all of the assets of the Zooga Studio, other than inventory items in the ordinary course of business, or an Ownership Interest in you, you or your Owner(s) shall obtain a bona fide, arms-length, executed written offer and earnest money deposit in the amount of five percent (5%) or more of the offering price from a qualified, responsible, bona fide and fully disclosed purchaser. A true and complete copy of the offer and any proposed ancillary agreements shall immediately be submitted to us by you, such Owner(s) or both. The offer must apply only to an interest in this Agreement, the Franchise, the Zooga Studio, the assets of the Zooga Studio or you. It must not include the purchase of any other property or rights of you or such Owner(s). If the offeror proposes to buy any other property or rights from you or such Owner(s) under a separate, contemporaneous offer, the price and terms of purchase offered to you or such Owner(s) for the interest in this Agreement, the Franchise, the Zooga Studio, the assets of the Zooga Studio or you shall reflect the bona fide price offered therefor and shall not reflect any value for any other property or rights. We shall have the right, which we may exercise by written notice delivered to you or such Owner(s) within forty-five (45) days from the date of delivery of an exact copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that (a) we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser, and (c) we shall have not less than sixty (60) days to prepare for closing. We shall be entitled to all customary representations and warranties given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to Ownership Interests and/or assets; (ii) liens and encumbrances relating to the Ownership Interests and/or assets being purchased; and (iii) validity of contracts and contingent or other liabilities of the corporation whose stock is purchased. If we exercise our right of first refusal hereunder, you shall take all action necessary to cause the lease or sublease for the Zooga Studio to be assigned to us. If we do not exercise our right of first refusal, you or such Owner(s) may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided for herein, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us or if there is a change in the terms of the sale, we shall have an additional right of first refusal on the same terms and conditions as are applicable to the initial right of first refusal.

16.8 **Ownership Structure and Initial Capitalization**

You represent and warrant that your ownership structure and initial capitalization are as set forth on **Exhibit A** hereto and covenant that you will not vary from that ownership structure without our prior written approval.

16.9 **Restriction on Publicly Traded and Private Securities**

Securities, partnership or other ownership interests in your Zooga franchise may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with our prior written consent, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to us for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to us for such review prior to their use. No offering by you shall imply that we are participating in an underwriting, issuance or offering of securities of your Zooga franchise or us, and our review of any offering materials shall be limited solely to the subject of the relationship between you, us and our Affiliates. We may, at our option, require your offering materials to contain a written statement prescribed by us concerning the limitations described in the preceding sentence. You, your owners and other participants in the offering must fully agree in writing to defend and indemnify us, our Affiliates, including their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by us to further evidence this indemnity. For each proposed offering, you shall pay to us a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement or such greater amount as is necessary to reimburse us for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. You shall give us written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

ARTICLE 17
GRANT OF RENEWAL FRANCHISES

17.1 Renewal

If you satisfy each of the requirements set forth below, you may renew for up to two (2) additional terms of five (5) years each.

17.1.1 You shall have been, throughout the initial term of this Agreement (and any previous and then-current renewal term, as the case may be), in substantial compliance, and at the expiration of such initial term (and any previous and then-current renewal term, as the case may be) are in full compliance, with this Agreement, your lease or sublease and all other agreements between you and us or companies or persons associated or affiliated with us.

17.1.2 You shall, within nine (9) months before the expiration of the initial term or then-current renewal term, as the case may be, but not later than six (6) months before the expiration of the initial term or then-current renewal term, as the case may be, provide written notice to us that you wish to renew this Agreement, and we, in turn, shall provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of Zooga Studio Franchises (all of which will contain terms and fees substantially the same as those included in Franchise Agreements being executed at the time of renewal, and which will not obligate you to pay a further initial franchise fee, but will require payment of the then-current renewal fee) (the "Renewal Franchise Documents").

17.1.3 You shall execute the Renewal Franchise Documents and all other documents and instruments that we require in order to renew this Agreement. You shall return the executed Renewal Franchise Documents to us, together with payment of a renewal fee equal to $2,000 for a single unit franchise, by no later than the expiration date of this Agreement. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 19 and any other provisions that survive termination or expiration of this Agreement.

17.1.4 After we have received from you all executed Renewal Franchise Documents and the renewal fee, we shall inspect your Zooga Studio to determine the extent of any required updating, remodeling, redecorating or other refurbishment for the Zooga Studio in order to bring the Zooga Studio up to our then-current image and standards for new Zooga Studios. We will provide notice to you of the modifications you shall be required to make and you shall have six (6) months from the date of such notice to effectuate such modifications. If you fail or refuse to make the required modifications, we shall have the right to terminate the Renewal Franchise Documents.

17.2 Refusal to Renew Franchise Agreement

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Site is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

17.3 Renewal Under Law

Even though we decline the renewal of your Franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the then-current Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

17.4 Your Election Not to Renew

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the Franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the Renewal Franchise Documents required by us for a renewal franchise, together with payment of our then-current renewal fee, or if you provide written notice to us within the final sixty (60) days of the initial term or then-current renewal term, as the case may be, indicating that you do not wish to renew this Agreement.

ARTICLE 18
TERMINATION OF THE FRANCHISE

18.1 Our Right to Terminate

If you or any of your Owners fail to comply with any provision of this Agreement or any mandatory specification, standard, or operating procedure prescribed by us, and subject to any other cure provisions set forth in this Agreement, we may terminate this Agreement effective immediately upon delivery of written notice of termination to you and if we give written notice of such breach to you and you do not (a) correct such breach within fifteen (15) days after delivery to you of such notice of breach; or (b) if such breach cannot reasonably be corrected within thirty (30) days after delivery of notice of breach, undertake within ten (10) days after delivery of such notice of breach and continue until completion efforts to cure such breach and furnish proof acceptable to us upon our request of such efforts and the date full compliance will be achieved.

18.2 Termination Upon Notice – No Opportunity to Cure

Notwithstanding Section 18.1, we may terminate this Agreement upon delivery of notice of termination to you without opportunity to cure if you commit any of the following breaches:

18.2.1 You fail to (i) locate a suitable Site; (ii) obtain lawful possession of the Site; (iii) develop the Zooga Studio; (iv) satisfactorily complete our initial training program; or (v) commence operation of business, within the times provided in this Agreement;

18.2.2 You or any of your Owners abandon, surrender or transfer control of the operation of the Zooga Studio without our prior written approval. For purposes hereof, "abandon" shall be the closure of your Zooga Studio for five (5) consecutive days without our prior written consent;

18.2.3 You or any of your Owners has made any material misrepresentation or omission in the application for the Franchise;

18.2.4 You or any of your Owners (i) are convicted by a trial court of or plead guilty or no contest to a felony or to another crime or offense, including a crime against a child, that may adversely affect the reputation of you, the Zooga Studio or the goodwill associated with the Marks; or (ii) engage in any conduct which is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of us or any Zooga Studio;

18.2.5 You or your Owners make any unauthorized use or disclosure of or duplicate any copy of any Confidential Information, make any unauthorized use of the Marks or Copyrighted Works, or use, duplicate or disclose any portion of the Manual, or challenge or seek to challenge the validity of the Marks or Copyrighted Works;

18.2.6 You lose the right to possession of the Site and do not relocate the Zooga Studio to another site in accordance with this Agreement;

18.2.7 You or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Zooga Studio shall be sold after levy thereupon by any sheriff, marshal, or constable;

18.2.8 You, your Principal Owners, or members of their immediate families violate the restrictions of Article 9 of this Agreement (Exclusive Relationship) or of any Confidentiality and Non-Competition Agreement;

18.2.9 You fail to report accurately the Gross Sales of the Zooga Studio or fail to make payments of any amounts due us or our Affiliates for Royalty Fees, Brand Development Fees, purchases from us or our Affiliates or any other amounts due to us or our Affiliates, and do not correct such failure within ten (10) days after written notice thereof;

18.2.10 You knowingly maintain false books or records, or knowingly submit any substantially false report to us;

18.2.11 You cause or permit to exist a default under the lease or sublease for the Site and fail to cure such default within the applicable cure period set forth in the lease or sublease;

18.2.12 You or any of your Owners fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with this Agreement or any mandatory specification, standard or procedure we prescribe, whether or not such failures to comply are corrected and whether or not notice of such default is given (including insufficient funds fees); or fail on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same requirement under this Agreement, whether or not such failures to comply are corrected or whether or not notice of such default is given;

18.2.13 You fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement;

18.2.14 A threat or danger to public health or safety results from the construction, maintenance or continued operation of the Zooga Studio;

18.2.15 You refuse us permission to inspect the Zooga Studio, or your business, books, records or other documents pursuant to this Agreement;

18.2.16 You or any of your Owners interfere or attempt to interfere with our ability to franchise or license others to use and employ the Marks or System;

18.2.17 You or any of your Owners interfere or attempt to interfere with our contractual relations with other franchisees, customers, suppliers, employees, advertising agencies or other third parties;

18.2.18 A Franchise Agreement between us or any of our Affiliates and you, or an Affiliate of any of the above, is terminated by us pursuant to such agreement or is terminated by you in a manner or for a reason that is not expressly authorized pursuant to such agreement;

18.2.19 You fail to comply with all applicable laws and ordinances relating to the Zooga Studio, including Anti-Terrorism Laws, or if your or any of your Owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your Owners otherwise violate any such law, ordinance, or regulation;

18.2.20 We perform corrective work on your Zooga Studio for health and/or safety purposes and you do not reimburse us when so required; or

18.2.21 If you, lead teacher or your designated manager have a third (3rd) unexcused absence from a mandatory refresher training program or franchisee meeting.

18.3 Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by you (or any person/company affiliated with you) under this Agreement, any Area Development Agreement or any other agreement between us (or any Affiliate of ours)and you (or any Affiliate of yours)shall be deemed to be a default of each and every other agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the parties, we may, at our option, terminate any or all of the agreements.

We (and any Affiliate of ours) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our Affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

18.4 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 18, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your webpage on our Website, until such time as you correct the breach.

18.5 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 19
RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

19.1 Payment of Amounts Owed to Us and Our Affiliates

You shall immediately pay to us and our Affiliates upon termination or expiration of this Agreement such Royalty Fees, Brand Development Fees, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

19.2 Marks, Copyrights and Trade Dress

19.2.1 Upon the termination or expiration of this Agreement, you shall:

(a) not thereafter, directly or indirectly, at any time or in any manner identify yourself or any business as a current or former Zooga Studio or as a current or former franchisee of ours or otherwise associated with us, or use any Mark, any colorable imitation thereof or any mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose, or utilize for any purpose any trade name, trademark or service mark, domain name, or other commercial symbol or trade dress that suggests or indicates a connection or association with us;

(b) remove all signs containing any Mark and return to us or destroy forms and materials containing any Mark or otherwise identifying or relating to a Zooga Studio;

(c) take such action as may be required to cancel or, at our option, to transfer to us or our designee all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(d) immediately take all such actions we request as may be necessary to transfer any telephone and fax numbers, email addresses, Domain Names, telephone directory listings, Internet Websites or web pages, social media and other Internet addresses used in operation of the Zooga Studio associated with the Marks to us. You acknowledge that as between you and we, we have the sole right to and interest in all telephone and fax numbers, email addresses, Domain Names, telephone directory listings, Internet Websites or web pages, social media and other Internet addresses associated with the Marks. You, concurrently with the execution of this Agreement, shall execute our forms of Internet Website and Listings Agreement and Telephone Listings Agreement, attached to this Agreement as **Exhibit C**. The goodwill associated with all telephone and fax numbers, email addresses, Domain Names, Internet Websites or web pages, social media and other Internet addresses used in operation of the Zooga Studio is an asset that belongs to us. We shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement to take an assignment of all telephone and fax numbers, email addresses, Domain Names, Internet Websites or web pages, social media and other Internet addresses for the Zooga Studio. If we exercise this option, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You shall notify the telephone company, Domain name registrars and all listing agencies of the cancellation, termination or expiration of your right to use the telephone and fax numbers, email addresses, Domain Names, Internet Websites or web pages, social media and other Internet addresses associated with the Zooga Studio, and shall authorize their transfer to us. You authorize us and hereby appoint us and any of our officers as your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all telephone and fax numbers, email addresses, Domain Names, Internet Websites or web pages, social media and other Internet addresses for the Zooga Studio. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. By executing this Agreement, you authorize us and hereby appoint us and all of our officers as your attorney-in-fact to direct the telephone company, Domain Name registrars, Internet service providers and all listing agencies to transfer the same to us, should you fail or refuse to do so. The telephone company, Domain Name registrars, Internet service provider and all listing agencies may accept this Agreement as conclusive evidence of our exclusive right in such telephone and fax numbers, email addresses, Domain Names, Internet Websites or web pages, social media and other Internet addresses and our authority to direct their transfer. You must sign the instruments we require to confirm the assignments and transfers to us. You shall not be entitled to any compensation from us if we exercise this option;

(e) immediately cease all use of Copyrighted Works which were furnished to you by us pursuant hereto and return to us or destroy all forms, advertising and promotional materials or other materials containing such Copyrighted Works; and

(f) if we do not purchase all or a portion of the assets of the Zooga Studio as provided in Section 19.6, at your expense make such modifications and alterations, including removal of all distinctive physical and structural features associated with the Trade Dress of Zooga Studios, as may be necessary to distinguish the Site of the Zooga Studio so clearly from its former appearance and from other Zooga Studio s as to prevent any possibility that the public will associate the Site with Zooga Studios and any confusion created by such association.

19.2.2 You shall furnish to us (a) within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with Subparagraphs (a) and (c) of the foregoing obligations, and (b) within thirty (30) days after the later of expiration of our option to purchase the Zooga Studio as provided in Section 19.6 or receipt of notice that we elect not to purchase the Zooga Studio pursuant to Section 19.6, evidence satisfactory to us of your compliance with the foregoing obligations.

19.3 Confidential Information

You agree that, upon termination of the Franchise or expiration of the Franchise without grant of a Renewal Franchise: (a) you will immediately cease to use any of our Confidential Information disclosed to or otherwise learned or acquired by you in any business or otherwise; and (b) you will return to us all copies of the Manual and any other confidential materials which have been loaned or made available to you by us, including, but not limited to, your membership and customer database, and you shall retain no copies thereof.

19.4 Covenant Not to Compete

19.4.1 Upon termination of this Agreement by us in accordance with its terms and conditions, or upon expiration of this Agreement without the grant of a Renewal Franchise, neither you nor any of your Principal Owners shall directly or indirectly, through a member of the immediate family of you or a Principal Owner or otherwise for a period of two (2) years commencing on the effective date of such termination or expiration or the date on which you cease to operate the Zooga Studio, whichever is later:

(a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a ten (10) mile radius of the Zooga Studio or any other Zooga Studio; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a ten (10) mile radius of the Zooga Studio or any other Zooga Studio in operation or under construction on the effective date of such termination or expiration; or

(c) employ or seek to employ any person who is employed by us, our Affiliates or any franchisee of ours, nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

19.4.2 The restrictions of clause (a) of Section 19.4.1 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

19.4.3 The restrictions of Section 19.4.1 shall not be construed to prohibit you, any Principal Owner of yours or any member of your respective immediate families from having a direct or indirect ownership interest in any Zooga Studio Franchise Agreement for the operation of any Zooga Studio, or any entity owning, controlling or operating a Zooga Studio or from providing services to a Zooga Studio.

19.5 Continuing Obligations

All obligations of ours and yours which expressly or by their nature survive or are intended to survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

19.6 Our Right to Purchase Assets of the Zooga Studio

Upon termination of this Agreement by us in accordance with its terms and conditions or upon expiration of this Agreement without the grant of a Renewal Franchise, we shall have the option to purchase from you all or a portion of the assets used in the Zooga Studio. We may exercise this option by giving written notice thereof within sixty (60) days from the date of such expiration or termination. Assets shall include, without limitation, leasehold improvements, equipment, furniture, fixtures, signs, inventory and the lease or sublease for the Site. We shall have the unrestricted right to assign this option to purchase. We or our assignee shall be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (a) ownership, condition and title to assets; (b) liens and encumbrances relating to the assets; (c) validity of contracts inuring to us or affecting the assets; and (d) contingent or other liabilities.

The purchase price for the assets of the Zooga Studio shall be the fair market value determined as of the date of termination of expiration of this Agreement in a manner consistent with reasonable depreciation of leasehold improvements owned by you and the equipment, furniture, fixtures, signs and inventory of the Zooga Studio. The purchase price shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Zooga Studio, goodwill or "going concern" value for the Zooga Studio. We may exclude from the assets purchased hereunder any equipment, furniture, fixtures, signs and inventory that are not approved as meeting quality standards for Zooga Studios. The length of the remaining term of the lease or sublease for the Site of the Zooga Studio shall also be considered in determining the fair market value hereunder. If we and you are unable to agree on the fair market value of the assets, the fair market value shall be determined by an independent appraiser selected by us and you. If we and you are unable to agree on an appraiser, we shall each select one (1) appraiser who shall select a third appraiser and the fair market value shall be deemed to be the average of the three (3) independent appraisals. Nothing contained herein shall restrict the manner in which the appraisers so selected value the leasehold improvements, equipment, furniture, fixtures, signs and inventory.

The purchase price shall be paid in cash, a cash equivalent, or marketable securities of equal value at the closing of the purchase, which shall take place no later than ninety (90) days after receipt by you of our notice of exercise of this option to purchase. At that time you shall deliver instruments transferring to us or our assignee: (a) good and merchantable title to the assets purchased free and clear of all liens and encumbrances, other than liens and security interests acceptable to us or our assignee, with all sales and other transfer taxes paid by you; (b) all licenses and permits of the Zooga Studio which may be assigned or transferred; and (c) the lease or sublease for the Site. In the event that you cannot deliver clear title to all of the purchased assets as aforesaid or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow. Prior to closing, you and we shall comply with all applicable legal requirements including the bulk sales provisions of the Uniform Commercial Code of the state in which the Zooga Studio is located.

We shall have the right to set off against, and reduce the purchase price by, any and all amounts owed by you to us and the amount of any encumbrances or liens against the assets or any obligations assumed by us. If we or our assignee exercise this option to purchase, we shall have the right to appoint a manager to maintain the operation of the Zooga Studio pending the closing of such purchase. Alternatively, we may require you to close the Zooga Studio during such time period without removing any assets from the Site. You shall maintain in force all insurance policies required pursuant to this Agreement until the date of closing. If the Site is leased, we agree to use reasonable efforts to effect a termination of the existing lease for the Site and enter into a new lease on reasonable terms with the landlord. In the event we are unable to enter into a new lease, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the Site.

19.7 Liquidated Damages

Upon termination of this Agreement by us for cause as described in Article 18, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees you paid during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 20
DISPUTE RESOLUTION

20.1 Mediation and Arbitration

20.1.1 We and you acknowledge that during the term of this Agreement disputes may arise between the parties that may be resolvable through mediation. To facilitate such resolution, we and you agree that each party shall submit the dispute between them for non-binding mediation at a mutually agreeable location before commencing an arbitration proceeding under Section 20.1.3. If we and you cannot agree on a location, the mediation will be conducted in the county and state where we maintain our headquarters. The mediation will be conducted by one (1) mediator who is appointed under the American Arbitration Association's Commercial Mediation Rules and who shall conduct the mediation in accordance with such rules. We and you agree that statements made by us, you or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation.

20.1.2 If any dispute between the parties cannot be resolved through mediation within forty-five (45) days following the appointment of the mediator, the parties agree to submit such dispute to arbitration subject to the terms and conditions of Section 20.1.3.

20.1.3 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in the county and state where we maintain our headquarters under the authority of such state's statutes (the "Statutes"). The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

20.2 Forum and Venue

With respect to any claims, controversies or disputes which are not finally resolved through arbitration, or as otherwise provided above, you and your owners hereby irrevocably submit themselves to the jurisdiction of the state courts for the county where we maintain our headquarters and the Federal District Court closest to our headquarters. You and your owners hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and your owners hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by California or federal law. You and your owners further agree that venue for any proceeding relating to or arising out of this Agreement shall be the county and state where we maintain our headquarters; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction.

20.3 Consent to Jurisdiction

You, your owners and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.2provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, your owners and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

20.4 Waiver of Punitive Damages

You, your owners and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

20.5 Waiver of Jury Trial

Each party irrevocably waives trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

20.6 Injunctive Relief

20.6.1 Notwithstanding anything to the contrary contained in Section 20.1, we and you each have the right, in a proper case, to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that we agree to contemporaneously submit our dispute for arbitration on the merits as provided herein.

20.6.2 You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing. All claims for damages by reason of the wrongful issuance of such injunction are hereby expressly waived. If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision.

20.7 Costs and Legal Fees

If we are required to enforce this Agreement in a judicial or other proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

ARTICLE 21
SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

21.1 If any provision of this Agreement relating to the covenants to refrain from operating, owning or assisting a Competitive Business during the term of this Agreement is declared or made invalid or unenforceable by judicial action, legislation or other government action, we, if we believe in our sole discretion that the continuation of this Agreement would not be in our best interests, may terminate this Agreement upon sixty (60) days' written notice to you.

21.2 All other provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. To the extent the post-transfer restrictive covenants or post-termination restrictive covenants contained herein are deemed unenforceable by virtue of their scope in terms of geographic area, business activity prohibited and/or length of time, but may be made enforceable by reductions of either or any thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement or refusal to grant a Renewal Franchise than is required hereunder, or requires the taking of some other action not required hereunder, 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 we prescribe is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof. In such case, we shall have the right in our sole discretion to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

ARTICLE 22
MISCELLANEOUS

22.1 Waiver of Obligations

22.1.1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement. Such waiver shall be effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor and such approval shall be obtained in writing.

22.1.2 We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice.

22.1.3 We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof; (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any other Zooga Studio or any franchise agreement therefor; or (d) our acceptance of any payments from you after any breach by you of this Agreement.

22.2 Force Majeure

Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our failure to perform our obligations results from any of the following and is not caused or exacerbated by the non-performing party: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing 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 thereof; (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof; (c) acts of God; (d) acts of war or insurrection; (e) strikes, lockouts, boycotts, fire and other casualties; or (f) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Royalty Fees, Brand Development Fees or other fees thereafter and as soon as performance is possible the non-performing party shall immediately resume performance, nor shall such period of excused non-performance exceed six (6) months.

22.3 Rights of Parties are Cumulative

Our and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law to enforce.

22.4 Governing Law

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement and the relationship between the parties hereto shall be governed by the internal laws of the state where we maintain our headquarters, without regard to such state's conflicts of law principles. Nothing in this <u>Section 22.4</u> is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

22.5 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest and shall not be modified except by written agreement signed by both you and us.

22.6 Construction

22.6.1 The preambles and exhibits to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except as expressly stated herein, nothing in this Agreement is intended nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

22.6.2 The term "You" as used herein is applicable to one (1) or more persons or entities, as the case may be, and the singular usage includes the plural, and the masculine and neuter usages include each other and the feminine. References to "ownership interests" shall include: (a) in relation to a corporation or limited liability company, the ownership of shares or membership interests; (b) in relation to a partnership, the ownership of a general or limited partnership interest; or (c) in relation to a trust, the ownership of a beneficial interest of such trust. References to "immediate family" as used herein shall mean your parents, spouses, natural and adopted children, siblings and their spouses, their parents, children and siblings and spouses of these siblings. References to a "controlling interest" in you shall mean (a) if you are a corporation or limited liability company, thirty-three and one-third percent (33-1/3%) or more of the voting shares or membership interests of you if you are owned by three (3) or more persons, otherwise fifty percent (50%) or more of the voting control of you, and (b) if you are a partnership, thirty-three and one-third percent (33-1/3%) of the general partnership interest in you if you have three (3) or more general partners, otherwise fifty percent (50%) or more of the general partnership interest. If you are two (2) or more persons at any time hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us shall be joint and several.

22.7 Reasonableness

We and you agree to act reasonably in all dealings with each other pursuant to this Agreement. Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same unless otherwise permitted to do so in this Agreement.

22.8 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Zooga Studio's operations which would cause harm to the Zooga Studio, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Zooga Studio, operate the Zooga Studio for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Zooga Studio during such period of operation by us shall be kept in a separate account, and the expenses of the Zooga Studio, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Zooga Studio franchised business herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

22.9 Step-In Rights

If we determine in our sole judgment that the operation of your Zooga Studio is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Zooga Studio which would cause harm to the System and thereby lessen its value, you authorize us to operate your Zooga Studio for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Zooga Studio if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Zooga Studio; or we determine that operational problems require that we operate your Zooga Studio for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Zooga Studio as a going concern.

We shall keep in a separate account all monies generated by the operation of your Zooga Studio, less the expenses of the Zooga Studio, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

ARTICLE 23
SECURITY INTEREST

23.1 Collateral

You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Zooga Studio, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Zooga Studio. All items in which a security interest is granted are referred to as the "Collateral".

23.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

23.2.1 All amounts due under this Agreement or otherwise by you;

23.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

22.2.3 All expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and

23.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Zooga Studio, including, but not limited to, a real property mortgage, equipment leases, and any financing we may provide to you for the purchase of any proprietary equipment.

23.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

23.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

23.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of California (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

23.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 24
NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile with machine-generated evidence of receipt, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, one (1) business day after transmission by electronic mail provided that a hard copy is sent by another method provided in this Section, or five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

To us:	Zooga Yoga Enterprises, Inc. 11054 Washington Boulevard Culver City, California 90232 Attention: Chief Executive Officer
With a copy to:	Barry Kurtz, Esq. Lewitt, Hackman, Shapiro, Marshall and Harlan 16633 Ventura Boulevard, 11th Floor Encino, California 91436 Fax: (818) 981-4764
To you:	____________________________ ____________________________ ____________________________ Attention:____________________ Facsimile: (___) ________

ARTICLE 25
YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

25.1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that:

25.1.1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and are in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Zooga Studio.

25.1.2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

25.1.3 You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

25.1.4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or Controlling Principals (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

25.1.5 Neither you nor any of your Principal Owners is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

25.1.6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

25.2 Your Acknowledgments

You acknowledge, warrant and represent to us and we rely on such acknowledgments, warranties and representations that:

25.2.1 No representation has been made by us (or any of our employees, agents or salespersons) and relied on by you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Zooga Studio, or any other Zooga Studio owned by us, our Affiliates or a franchisee. We make no guaranties, promises, representations, statements or warranties that you can or will achieve any level or range of sales, income or other measures of performance.

____
Initials

25.2.2 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your anticipated income, earnings and growth or that of us or the System, or the viability of the business opportunity being offered under this Agreement.

____
Initials

25.2.3 Before executing this Agreement, you have had the opportunity to contact any and all of our existing franchisees.

____
Initials

25.2.4 You have had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisors (if you so elect) of your choosing. You have been advised to consult with your advisors with respect to the legal, financial and other aspects of this Agreement, the Zooga Studio, and the prospects for the Zooga Studio. You have either consulted with these advisors or have deliberately declined to do so.

Initials

25.2.5 You have received from us a copy of our Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by you to us of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

Initials

25.2.6 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your ability to procure any required license or permit that may be necessary to the offering of one or more of the products or services contemplated to be offered by the Zooga Studio.

____
Initials

25.2.7 You affirm that all information set forth in all applications, financial statements and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information.

____
Initials

25.2.8 Attached hereto as **Exhibit I** is a Franchisee Disclosure Acknowledgment Statement. You shall have received and answer the questions thereon, relating to representations that have or have not been made to you. You have initialed and executed the Statement voluntarily and attached it hereto.

____
Initials

25.2.9 You understand and agree that we may manage and change the System and our business in any manner that is not expressly prohibited by this Agreement. Whenever we have the right within this Agreement to take or withhold action or to grant or decline to you the right to take or withhold action, we may make such a decision on the basis of our business judgment of what is in our best interests and those of the System and the franchise network, without regard to whether other reasonable alternative decisions exist or whether our decision adversely affects you. Absent applicable statute, we shall have no liability for such a decision and you agree that our decision will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, you agree that such a covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

____
Initials

ARTICLE 26
SUBMISSION OF AGREEMENT

The submission of this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO YOU OTHER THAN THOSE SET FORTH IN OUR DISCLOSURE DOCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO YOU, YOU ARE NOT RELYING ON THEM. YOU HAVE READ ALL OF THE FOREGOING AGREEMENT AND ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in multiple counterparts on the day and year first above written.

FRANCHISOR:

ZOOGA YOGA ENTERPRISES, INC.,
a California corporation

By:____________________________
Print Name:_______________________
Title: ___________________________

FRANCHISEE:

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP:

____
[Name]

By:____________________________
Print Name:_______________________
Title:____________________________

INDIVIDUALS:

____

____
[Print Name]

____

____
[Print Name]

JOINDER

The undersigned Owners and Principal Owners of you hereby agree to be bound by the restrictions on transfers of interests in the ownership of you contained in the foregoing Franchise Agreement.

COMPANIES	INDIVIDUALS
______________________________ (Name of Company)	______________________________ (Name)
By:______________________________ Print Name:______________________ Title:____________________________	______________________________ (Signature)
______________________________ (Name of Company)	______________________________ (Name)
By:______________________________ Print Name:______________________ Title:____________________________	______________________________ (Signature)
______________________________ (Name of Company)	______________________________ (Name)
By:______________________________ Print Name:______________________ Title:____________________________	______________________________ (Signature)

EXHIBIT A TO THE FRANCHISE AGREEMENT

OWNERS

1. **Owners**: List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in You, and describe the nature of the interest.

Name:____________________________________
Address:__________________________________
____
____
____
____

Number of Ownership Interests Owned:_______
% of Total Ownership Interests:________
Number of Ownership Interests Owner is Entitled to Vote:______________________
Other Interest (Describe):___________________
____

Name:____________________________________
Address:__________________________________
____
____
____
____

Number of Ownership Interests Owned:_______
% of Total Ownership Interests:________
Number of Ownership Interests Owner is Entitled to Vote:______________________
Other Interest (Describe):___________________
____

Name:____________________________________
Address:__________________________________
____
____
____
____

Number of Ownership Interests Owned:_______
% of Total Ownership Interests:________
Number of Ownership Interests Owner is Entitled to Vote:______________________
Other Interest (Describe):___________________
____

Name:____________________________________
Address:__________________________________
____
____
____
____

Number of Ownership Interests Owned:_______
% of Total Ownership Interests:________
Number of Ownership Interests Owner is Entitled to Vote:______________________
Other Interest (Describe):___________________
____

Name:____________________________________
Address:__________________________________
____
____
____
____

Number of Ownership Interests Owned:_______
% of Total Ownership Interests:________
Number of Ownership Interests Owner is Entitled to Vote:______________________
Other Interest (Describe):___________________
____

2. **Designated Principal Owners**: The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in You:

Name:____________________________ Name:____________________________

Name:____________________________ Name:____________________________

Name:____________________________ Name:____________________________

Name:____________________________ Name:____________________________

3. **Management**: As required pursuant to this Agreement, the following Principal Owners shall have supervisory responsibilities in connection with the operation of the Zooga Studio:

Name:___________________________________

Name:___________________________________

Name:___________________________________

4. **Ownership Structure and Initial Capitalization**: You and Your Owners represent and warrant that the ownership structure and initial capitalization of You is as follows:

OWNERSHIP STRUCTURE

Owner	Number of Ownership Interests	Percentage Ownership

As of the date hereof there are _______________ (__________) Ownership Interests authorized and there are ______________ (__________) Ownership Interests which are issued and outstanding. There are no other authorized classes of shares.

INITIAL CAPITALIZATION

____

____

____

____

FRANCHISOR:

ZOOGA YOGA ENTERPRISES, INC.
a California corporation

By:______________________________
Print Name:________________________
Title:_____________________________

FRANCHISEE:

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP:

____
[Name]

By:______________________________
Print Name:________________________
Title:_____________________________

INDIVIDUALS:

____

____
[Print Name]

____

____
[Print Name]

EXHIBIT B TO THE FRANCHISE AGREEMENT

SITE AND DESIGNATED TERRITORY

The Site of the Zooga Studio will be located at:

____

____

The Designated Territory shall be as follows:

____

____

FRANCHISOR:

ZOOGA YOGA ENTERPRISES, INC.,
a California corporation

By: ______________________
Print Name: ______________________
Title: ______________________

FRANCHISEE:

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP:

____
[Name]

By: ______________________
Print Name: ______________________
Title: ______________________

INDIVIDUALS:

____

____
[Print Name]

____

____
[Print Name]

EXHIBIT C TO THE FRANCHISE AGREEMENT

INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Internet Listing Agreement") is made and entered into as of the _____ day of _______________, 20___ (the "Effective Date"), by and between Zooga Yoga Enterprises, Inc., a California corporation ("Franchisor"), and _______________________, a _________________ ("Franchisee").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Zooga Studio (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain Domain Names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. The goodwill associated with all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "Internet Companies") and Franchisee's Interest in the Internet Web Sites Listings is an Asset that belongs to Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement to take an assignment of all Internet Web Sites and Listings and Franchisee's Interest in the same. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. Franchisee shall notify the Internet Companies of the cancellation, termination or expiration of Franchisee's right to use the Internet Web Sites and Listings associated with the Zooga Studio, and shall authorize their transfer to Franchisor. Franchisee authorizes Franchisor and hereby appoint Franchisor and any of Franchisor's officers as Franchisee's true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all Internet Web Sites and Listings for the Zooga Studio. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. By executing this Agreement, Franchisee authorize Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the Internet Companies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The Internet Companies may accept this Agreement as conclusive evidence of Franchisor' exclusive right in such Internet Web Sites and Listings and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requires to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

2.3 Certification of Termination. Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.4 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

3. **MISCELLANEOUS**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.9 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR: ZOOGA YOGA ENTERPRISES, INC.	FRANCHISEE:
By:____________________	By:____________________
Name:____________________	Name:____________________
Title:____________________	Title:____________________

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (the "Telephone Listing Agreement") is made and entered into as of the _____ day of _______________, 20___ (the "Effective Date"), by and between Zooga Yoga Enterprises, Inc., a California corporation (the "Franchisor"), and _________________________, a _________________ (the "Franchisee").

WITNESSETH:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Zooga Studio (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. TRANSFER; APPOINTMENT

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. The goodwill associated with all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "**Telephone Companies**") and Franchisee's Interest in the Telephone Numbers and Listings is an Asset that belongs to Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement to take an assignment of all Telephone Numbers and Listings and Franchisee's Interest in the same. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. Franchisee shall notify the Telephone Companies of the cancellation, termination or expiration of Franchisee's right to use the Telephone Numbers and Listings associated with the Zooga Studio, and shall authorize their transfer to Franchisor. Franchisee authorizes Franchisor and hereby appoint Franchisor and any of Franchisor's officers as Franchisee's true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all Telephone Numbers and Listings for the Zooga Studio. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. By executing this Agreement, Franchisee authorize Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the Telephone Companies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The Telephone Companies may accept this Agreement as conclusive evidence of Franchisor' exclusive right in such Telephone Numbers and Listings and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requires to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

2.3 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

3.9 Governing Law. This Telephone Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

FRANCHISOR: ZOOGA YOGA ENTERPRISES, INC.	FRANCHISEE:
By:____________________	By:____________________
Name:____________________	Name:____________________
Title:____________________	Title:____________________

EXHIBIT D TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns, transfers and sets over to Zooga Yoga Enterprises, Inc., a California corporation ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease", a copy of which is attached as Exhibit A, respecting premises commonly known as ____. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor's default under the Lease or under the "Franchise Agreement" for a Zooga Studio between Assignee and Assignor, or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing and upon Assignor's failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

(Signature Page Follows)

ASSIGNOR:

Dated: ______________________

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP OR PROPRIETORSHIP:

____

[Name]

By: ______________________

Print Name: ______________________

Title: ______________________

INDIVIDUALS:

____

____

[Print Name]

____

____

[Print Name]

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of and upon Assignee's failure to cure any default by Assignor under the Lease;

(b) Agrees that Assignee will have the right but not the obligation to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Zooga Studio.

DATED:______________________________

____

______________________________, Lessor

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees, shareholders, officers, directors, general partners, members and managers of Franchisee)

In consideration of my being a ______________________ of ________________ ("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated ______________, 20___ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from Zooga Yoga Enterprises, Inc. (the "Company") to establish and operate a Zooga Studio (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: _________________________ (the "Approved Location").

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of a children's yoga Franchised Businesses. It is a bright, fun, creative, yoga and play studio, dedicated to introducing kids and families to a one-of-a-kind, branded yoga experience called Zooga Yoga. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As ________ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Manual (the "Manual"), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as ______________ of the Franchisee, and will continue

not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any retail business or e-commerce business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products or services offered by a Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 Franchisee's Designated Territory, as defined in the Franchise Agreement ("Franchisee's Designated Territory");

7.2 Ten (10) miles of Franchisee's Designated Territory; or

7.3 Ten (10) miles of any Franchised Business operating under the System and the Proprietary Marks.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

8. I 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 an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this

Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of California. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

____
Signature

____
Name

____
Address

____
Title

ACKNOWLEDGED BY FRANCHISEE

By:______________________________

Name:______________________________

Title:______________________________

EXHIBIT F TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement (the "Agreement") by Zooga Yoga Enterprises, Inc., a California corporation ("We", "Us" or "Our"), each of the undersigned hereby personally and unconditionally (1) guarantees to Us and Our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _______________("You") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agree to be personally bound by, and personally liable for the breach of each and every provision in the Agreement.

Each of the undersigned waives:

(1) acceptance and notice of acceptance by Us of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or of nonperformance of any obligations hereby guaranteed;

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(4) any right he, she or it may have to require that an action be brought against You or any other person as a condition of liability;

(5) all right to payment or reimbursement from, or subrogation against, You which the undersigned may have arising out of his or her guaranty of Your obligations; and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

(1) his, her or its direct and immediate liability under this guaranty shall be joint and several;

(2) he, she or it shall render any payment or performance required under the Agreement upon demand if You fail or refuse punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by Us of any remedies against You or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which We may from time to time grant to You or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify

or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

(5). he, she or it shall be bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

If We are required to enforce this Guaranty in a judicial or arbitration proceeding and prevail in such proceeding, the undersigned shall reimburse Us for Our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred during, prior to, in preparation for or contemplation of the filing of any such proceeding. If We are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Us for any of the above-listed costs and expenses incurred by Us.

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

WITNESS	**GUARANTOR(S)**
______________________________	______________________________ Name:
______________________________	______________________________ Name:
______________________________	______________________________ Name:

EXHIBIT G TO THE FRANCHISE AGREEMENT

TRANSFER OF FRANCHISE TO A
<u>CORPORATION OR LIMITED LIABILITY COMPANY</u>

This Transfer Agreement hereby amends that certain Franchise Agreement dated ___________, 20___ between Zooga Yoga Enterprises, Inc. ("Franchisor") and ____________________ ("Franchisee").

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below and the Franchisee of the Zooga Yoga Enterprises, Inc., under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation, or Limited Liability Company in accordance with the provisions of Article 16 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 9 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ___________, 20__ between ______________________ and Zooga Yoga Enterprises, Inc."
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ___________, 20__ between ______________________ and Zooga Yoga Enterprises, Inc."

3. ____________________ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Zooga Yoga Enterprises, Inc.

4. ____________________ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein.

Date of Franchise Agreement: ____

Location of Zooga Studio: ____

WITNESS:

____

____

As to Paragraph 3:

____

[Name]

As to Paragraph 4:

____

[Name]

ATTEST:

____

____

Name of Corp. or Limited Liability Company

By: ____________________________
Title: ____________________________

In consideration of the execution of the above Agreement, Zooga Yoga Enterprises, Inc., hereby consents to the above referred to assignment on this _____ day of ____________, 20__.

ZOOGA YOGA ENTERPRISES, INC.

By: ________________________________
Title: ________________________________

EXHIBIT H TO THE FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO ZOOGA YOGA ENTERPRISES, INC. ("COMPANY")

Depositor hereby authorizes and requests ________________________________ (the "Depository") to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of Zooga Yoga Enterprises, Inc., by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:____

City:__________________________ State:________ Zip Code:__________

Transit/ABA Number:________________________ Account Number:______________

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor: (Please Print)

____

____

____
Date Signed

____

____
Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT I TO THE FRANCHISE AGREEMENT

SBA ADDENDUM

ADDENDUM TO FRANCHISE [1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on ________________, 20____, by and between ZOOGA YOGA ENTERPRISES, INC. ("Franchisor"), located at 11054 WASHINGTON BOULEVARD, CULVER CITY, CALIFORNIA 90232, and ______________________________ ("Franchisee"), located at ______________________________.

Franchisor and Franchisee entered into a Franchise Agreement on ______________, 20___, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the (enter type of) term (excluding additional renewals) for fair market value.

[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR:

By: ______________________________

Print Name: ______________________

Title: _____________________________

Authorized Representative of FRANCHISEE:

By: ______________________________

Print Name: ______________________

Title: _____________________________

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the (type of agreement) system must meet all SBA eligibility requirements.

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
AREA DEVELOPMENT AGREEMENT

ZOOGA YOGA ENTERPRISES, INC.

AREA DEVELOPMENT AGREEMENT

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

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EXHIBITS

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into as of the "**Effective Date**" set forth on **Exhibit A**, by and between **ZOOGA YOGA ENTERPRISES, INC.**, a California corporation ("**Franchisor**"), on the one hand, and the individuals or Entity identified as "**Area Developer**" on **Exhibit B**, on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts:

A. Franchisor and Franchisor's Affiliate, Zooga Yoga, LLC, a California limited liability company (the "**Operating Company**"), have developed the "**Zooga Yoga System**", or "**The System**", for the establishment and operation of children's gyms that provide a safe, nurturing and fun environment for all children, foster learning, exploration and safe sensory experiences (a "**Zooga Studio**" or the "**Zooga Studios**") under certain trade names, service marks, trademarks, logos, emblems, commercial symbols and indicia of origin, including, without limitation, the mark **Zooga**", and other trade names, including "Zooga" and "Zooga Yoga", service marks and trademarks that are now designated and may hereafter be designated by Franchisor (collectively, the "**Marks**").

B. The distinguishing characteristics of Zooga Studios include, without limitation, a full range of yoga classes for all ages, including: Pre/Postnatal, Mommy & Baby, Infant, Toddler, Kids, Teen, and Adults as well as specialty classes such as Dance, Music, Baby Sign and a series of parenting workshops; Studio and in-home private sessions; school programs, camps, special events, including birthday parties and "Kids' Nite Out"; manuals, materials, services, and related written content created, owned, and copyrighted or copyrightable by the Operating Company, distinctive exterior and interior design, décor, color scheme, fixtures, and furnishings for the Zooga Studios; service standards; uniform standards; specifications and procedures for operations; procedures for management control; training and assistance; specifications for equipment and fixtures; defined product offerings; Franchisor specified pricing; restrictions on ownership; and advertising, public relations and promotional programs, all of which may be changed, improved and further developed by Franchisor from time to time (collectively, the "**The System**" or "**Zooga Yoga System**"). Franchisor has obtained the right to use and to license others to use the Marks, and the Zooga Yoga System from its Affiliate.

C. Franchisor desires to expand and develop Zooga Studios in the Development Area and Area Developer desires to develop, Open, own and operate Zooga Studios in the Development Area under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. DEFINITIONS

The capitalized terms in this Agreement that are not defined elsewhere in the text of this Agreement are assigned these definitions:

"**Affiliate**" or "**Affiliates**" mean any Person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a Person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of the Person or Entity whether by contract or otherwise.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of Zooga Studios that are in effect on or after the Effective Date, as they may be amended from time to time.

"Average Gross Sales of Zooga Studios" means the weekly Gross Sales of all Affiliate-owned Zooga Studios plus the weekly Gross Sales of all franchisee-owned Zooga Studios during the one (1) month period immediately preceding that date that Gross Sales is to be calculated, divided by the total number of Affiliate-owned Zooga Studios and franchisee-owned Zooga Studios in operation during the same one (1) month period.

"Competitive Business" means any business other than a Zooga Studio that: (a) features the Approved Products and Services or substantially similar products and services; or (b) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a business described in the foregoing clause (a), other than a Zooga Studio operated pursuant to a validly subsisting Franchise Agreement with Franchisor.

"Constituents" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"Default" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Default Royalty Fee" means the royalty fee that Area Developer shall pay Franchisor for each month between the date that a Zooga Studio was required to be operating pursuant to the Development Obligation and the date that the Zooga Studio actually begins operating, which shall equal five percent (5%) of the Average Gross Sales of Zooga Studios.

"Development Area" means the geographic area described on **Exhibit A**.

"Development Fee" means the development fee equal to $10,000 multiplied by the cumulative number of Zooga Studios that comprise the Development Obligation, except for the first Zooga Studio, which shall be payable to Franchisor by Area Developer on the Effective Date in the amount set forth on **Exhibit A**.

"Development Fee Credit" means $10,000 of the Development Fee that will be credited against the Initial Franchise Fee for each Zooga Studio upon the Parties' execution of a Franchise Agreement for each Zooga Studio as set forth on **Exhibit A**.

"Development Obligation" means the cumulative number of Zooga Studios that Area Developer must develop and Open within each Development Period as set forth on **Exhibit A**.

"Development Period" means each of the time periods indicated on **Exhibit A** during which Area Developer shall have the right and obligation to construct, equip, Open and thereafter operate Zooga Studios in accordance with the Development Obligation.

"Electronic Signature" means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including facsimile, email, or other electronic signatures.

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Expiration Date**" means the fifth (5th) anniversary of the Effective Date.

"**Force Majeure**" means any event (i) that was reasonably unforeseeable as of the Effective Date; (ii) that is beyond the reasonable control, directly or indirectly, of a Party; (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence; (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors; and (v) that causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, "**Force Majeure**" includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); (b) strikes, lockouts or other industrial disturbances; (c) war, terrorist acts, riot, or other civil disturbance; (d) unilateral governmental action impacting Zooga Studios generally; and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing 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. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, Landlord, contractor, or other Person, or Area Developer's financial inability to perform or Area Developer's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that the act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Neither Party will be in Default in the performance of its obligations under this Agreement if the performance is prevented or delayed due to Force Majeure.

"**Franchise Agreement**" means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to develop, Open, own and operate a single Zooga Studio in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**Franchised Location**" means the site of a Zooga Studio.

"**General Release**" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Area Developer is in substantial compliance with the material requirements of this Agreement, the Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Area Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Area Developer within the time periods set forth in Section 11.3.

"**Governmental Authority**" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Sales**" means the total selling price of all services and products and all income of every other kind and nature related to the Zooga Studios, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments. Data is based on calendar year.

"**Initial Franchise Fee**" means the $32,500 initial fee that Area Developer must pay Franchisor for each Zooga Studio developed, Opened and operated by Area Developer in the Development Area.

"**Initial Term**" means the five (5) year period commencing on the Effective Date and ending on the Expiration Date.

"**Landlord**" means the owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Area Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Area Developer and a Landlord.

"**NACHA**" means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

"**Manuals**" means Franchisor's Operations Manuals, which may consist of one or more manuals, and any other written directive related to the Zooga Yoga System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, recreational facilities, educational, medical, governmental and other types of institutional facilities, sites in retail locations.

"**Open**" and "**Opened**" means that Area Developer has actually begun to offer its services for sale to the public from a Zooga Studio.

"**Opening Date**" means the day that (i) Area Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Zooga Studio; and (ii) Area Developer actually begins to offer its services for sale to the public from the Zooga Studio, whichever occurs last.

"**Owner**" means each of the individuals listed on **Exhibit B**, each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee, and all persons or entities holding direct or indirect property rights in you, the Franchise Agreement, the franchise or the Zooga Studio. If Franchisee is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Exhibit C**.

"**Payment Network**" means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates.

"**Payment Processors**" means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers.

"**Payment Rules**" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

"**Person**" means any natural person or Entity. "**Principal Owner**" means the individual designated by Area Developer on **Exhibit B**, and accepted by Franchisor to serve as the primary operator of the Zooga Studios, to serve as the authorized representative of Area Developer, who shall have at least a fifty-one percent (51%) interest in the Equity of Area Developer, who shall act as Area Developer's representative in all matters with Franchisor, as Area Developer's liaison with Franchisor and the Owners, who shall have the authority to act on behalf of Area Developer during the Term without the participation of any other Owner.

"**Renewal Fee**" means the $2,000 fee that Area Developer must pay Franchisor to extend the Initial Term of this Agreement for the Renewal Term.

"**Renewal Rights**" means the rights held by Area Developer to renew this Agreement for the Renewal Term upon the expiration of the Initial Term.

"**Restricted Person**" means Area Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

"**Then-Current**" means the form of agreement then-currently provided by Franchisor to similarly situated prospective area developers and franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by area developer or franchisee; or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like.

"**Trade Secrets**" means proprietary and confidential information of Franchisor and the Operating Company, including specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Zooga Studios, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that can be shown that was already lawfully in a third party's possession before receipt from Franchisor.

"**Transfer Fee**" means the $5,000 fee that Area Developer must pay Franchisor as a condition precedent to an Assignment of this Agreement.

"**Venue**" means any site for a Zooga Studio other than a Non-Traditional Venue.

"**Zooga Yoga Products and Services**" means any product now existing or developed in the future that bears any of the Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's methods, standards, branding, and specifications, including, without limitation, sensory equipment, toys, recreational equipment, souvenirs, novelty items, yoga mats, yoga cards, cd's, dvd's, books, apparel, tote bags, eye pillows, and water bottles

"**Zooga Studio**" means a business that: (a) offers the Approved Products and Services for sale as well as certain complementary products and services; (b) meets our standards and specifications; (c) operates using the Marks and the System; and (d) is either operated by us or our Affiliates or pursuant to a valid license from us.

2. GRANT

2.1 **Grant and Development Obligation**. Franchisor hereby grants Area Developer, and Area Developer hereby accepts the right and obligation to use the Marks and the Zooga Yoga System to develop, Open, and operate the cumulative number of Zooga Studios set forth in **Exhibit A** in the Development Area during the Initial Term. Except as provided in Section 2.6, Area Developer may not develop, open or operate more Zooga Studios than the number of Zooga Studios set forth on **Exhibit A** during the Initial Term. Area Developer shall not subcontract, sublicense, share, divide or partition this Agreement or enter into any agreement with any third party providing for the right to develop, open or operate Zooga Studios or to use the Marks or the Zooga Yoga System and nothing in this Agreement will be construed as granting Area Developer the right to do so. The Parties shall execute Franchisor's Then-Current Franchise Agreement for each Zooga Studio to be developed, opened and operated by Area Developer under this Agreement, the form of which may differ from the form of Franchise Agreement attached to Franchisor's Franchise Disclosure Document (the "**Disclosure Document**") provided to Area Developer prior to the Effective Date.

2.2 **Non-Exclusive License**. As expressly provided in Section 2.4, the rights granted to Area Developer under this Agreement are non-exclusive during the Initial Term; provided, that so long as Area Developer is in Good Standing, neither Franchisor nor any of its Affiliates shall themselves develop, open and operate, or grant third parties the right to develop, open and operate, Zooga Studios in the Development Area during the Initial Term.

2.3 **Adherence to Development Schedule**. Area Developer shall satisfy the Development Obligation by Opening the number of Zooga Studios in the Development Area within each Development Period as required by the Development Schedule set forth on **Exhibit A** and by continuing to operate the cumulative number of Zooga Studios required by the Development Obligation. Failure to comply with the Development Schedule shall constitute a Default under this Agreement and shall entitle Franchisor to (i) collect a Default Royalty Fee from Area Developer for each month following the date that a Zooga Studio was required to be Opened under the Development Schedule and the actual date that the Zooga Studio Opens; and (ii) terminate this Agreement, unless the Default results from an event of Force Majeure, in which case, the deadline to Opening a Zooga Studio may be extended by Franchisor as provided in Section 2.7.

2.4 **Rights Reserved by Franchisor**. Except as expressly provided in Section 2.2, Franchisor and its Affiliates expressly reserve all other rights, with respect to the Zooga Yoga System, the Marks and Zooga Studios, including the exclusive, unrestricted right, in their discretion, directly and indirectly, through their employees, Affiliates, representatives, licensees, assigns, agents and others, to (i) develop, open and operate, and to grant franchises to third parties to develop, open and operate, Zooga Studios outside the Development Area, regardless of their proximity to the Development Area; (ii) develop, open and operate, and to grant franchises to third parties to develop, open and operate any other business, other than a Competitive Business, under marks and systems different from the Marks and the Zooga Yoga System within and outside the Development Area regardless of their proximity to the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Zooga Yoga Products and Services within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) produce, license, distribute and market Zooga® branded clothing, souvenirs and novelty items through any outlet, whether inside or outside of the Protected Area, regardless of its proximity to the Franchised Location, and through any distribution channel, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods; (v) market on the Internet and use the Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (vi) to purchase, merge, acquire or affiliate with an existing Competitive Business or franchise network or a non-competitive business or franchise network, chain or any other business regardless of the location of their facilities, and to operate, franchise or license those Competitive Businesses and non-competitive businesses and/or facilities as the Zooga Studios operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Area Developer acknowledges may be proximate to the Zooga Studios); and (vii) open or operate and to franchise or license others to open or operate Zooga Studios at any Non-Traditional Venue within and outside of the

Development Area regardless of their proximity to any Zooga Studios developed or under development by Area Developer.

2.5 **Closures and Assignments**. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, if, during the Term, Area Developer ceases to operate any Zooga Studio developed and Opened under this Agreement for any reason, Area Developer must develop a replacement Zooga Studio (a "**Replacement Gym**") to fulfill Area Developer's obligation to have Open and in operation the required number of Zooga Studios at the expiration of each Development Period. Area Developer may not, however, cease operating any Zooga Studio or obtain a Replacement Gym without Franchisor's prior written consent. Area Developer must Open each Replacement Gym within twelve (12) months after the date of the closing of the Zooga Studio that it will replace (the "**Replacement Gym Deadline**"). If Area Developer fails to begin operating a Replacement Gym by its Replacement Gym Deadline, Area Developer shall pay Franchisor a Default Royalty Fee for each month following the Replacement Gym Deadline until that Replacement Gym begins operating. Zooga Studios that are operating that are assigned to Affiliates of Area Developer with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

2.6 **Additional Development Rights**. If Area Developer satisfies the Development Obligation before the Expiration Date and desires to develop, open and operate additional Zooga Studios in the Development Area, Area Developer shall have the right to extend the Term of this Agreement for an additional five (5) years on the terms and conditions set forth in this Section 2.6. If Area Developer desires to extend the Term of this Agreement for an additional five (5) years, Area Developer shall, no later than one hundred eighty (180) days prior to the Expiration Date, notify Franchisor in writing (the "**Additional Development Notice**") that Area Developer desires to do so and provide Franchisor with a proposal for the development of additional Zooga Studio in the Development Area (the "**Additional Development Obligation**"), setting forth the number of additional Zooga Studios proposed to be opened by Area Developer, the proposed development fees and the proposed opening dates for each Zooga Studio during the extended Term. Franchisor may, but has no obligation to, grant Area Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1 If the Additional Development Obligation proposed by Area Developer is unacceptable to Franchisor, or if the Parties cannot reach an agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, this Agreement shall expire on the Expiration Date. Franchisor and Area Developer shall execute Franchisor's Then-Current Franchise Agreement for each additional Zooga Studio to be developed and opened in the Development Area by Area Developer. If the Additional Development Obligation proposed by Area Developer is acceptable to Franchisor, or if the Parties reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "**Additional Area Development Agreement**") setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Area Developer's receipt of the Additional Area Development Agreement, Area Developer shall execute the Additional Area Development Agreement, and return it to Franchisor. If Area Developer has so executed and returned the Additional Area Development Agreement, and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Area Development Agreement, and return a fully executed copy to Area Developer.

2.6.2 Franchisor shall execute the Additional Area Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Area Developer; (ii) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in

Good Standing on the date of the Additional Development Notice and on the date of Franchisor signs the Additional Area Development Agreement; (iii) Area Developer has demonstrated Area Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation; (iv) Area Developer continues to operate no less than the aggregate number of Zooga Studios in the Development Area as required by the Development Obligation; (v) Area Developer has executed the Additional Area Development Agreement and delivered it to Franchisor together with the development fees and initial development fees payable to Franchisor for the Additional Development Rights; and (vi) Area Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7 **Force Majeure**. Neither Party will be in Default in the performance of its obligations under this Agreement if performance is prevented or delayed due to Force Majeure. If Area Developer is unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 5.4, which results in the inability of Area Developer to construct and Open the Zooga Studios as required by this Agreement, Area Developer shall provide Franchisor, within five (5) days after the occurrence of an event that Area Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Area Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Area Developer shall be extended by the number of days equal to the number of days that the Force Majeure exists. Area Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Area Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8 **No Rights to Use the Marks or Zooga Yoga System**. This Agreement is not a Franchise Agreement, and does not grant Area Developer any right to use the Marks or the Zooga Yoga System. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, Area Developer's rights to use the Marks, and the Zooga Yoga System will be granted to Area Developer solely under the terms of a Franchise Agreement. Area Developer shall not use the Marks, or the Zooga Yoga System in any manner or for any purpose before Area Developer and Franchisor execute a Franchise Agreement, including, without limitation, in connection with any offering of securities or any request for credit, without the prior written approval of Franchisor.

3. **INITIAL TERM**.

The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date. Except as provided in Section 2.6, this Agreement is not renewable.

4. **PAYMENTS BY AREA DEVELOPER**

4.1 **Development Fee**. On the Effective Date, Area Developer shall pay Franchisor a Development Fee to for the rights granted to Area Developer under this Agreement by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Development Fee is fully earned by Franchisor when paid and is nonrefundable, in whole or in part, under any circumstances.

4.2 **Initial Franchise Fees**. Area Developer shall pay Franchisor an Initial Franchise Fee for each Zooga Studio to be operated under this Agreement. Area Developer shall pay Franchisor the Initial Franchise Fee for the first Zooga Studio to be operated under this Agreement in full on the Effective Date by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Initial Franchise Fee for each additional Zooga Studio shall be payable upon execution by Area Developer of each Franchise Agreement entered into for each Zooga Studio to be developed under this Agreement, less the Development Fee Credit for each Zooga Studio, not to exceed a credit of the amount set forth on **Exhibit A** for any one Zooga Studio. The Initial Franchise Fee for each Zooga Studio is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstances.

5. INITIAL SERVICES AND ONGOING OBLIGATIONS OF FRANCHISOR

5.1 **Limited Obligations**. Area Developer acknowledges and agrees that Franchisor's obligations under this Agreement are limited to identifying the Development Area and that Franchisor has no ongoing obligations for training or operational support for Area Developer under this Agreement. All initial and continuing obligations of Franchisor to Area Developer shall be provided by Franchisor under Franchisor's Then-Current Franchise Agreement for each Zooga Studio to be developed and opened in the Development Area by Area Developer.

5.2 **Franchised Locations**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to diligently identify proposed sites for the Zooga Studios. When Area Developer identifies a proposed site for a Zooga Studio, Area Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site. If Franchisor accepts a proposed site, Franchisor shall notify Area Developer of its acceptance of the Franchised Location. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to identify and obtain each Franchised Location for the Zooga Studios to be developed under this Agreement. Area Developer further acknowledges and agrees that it is Area Developer's sole responsibility to review and approve each Lease or purchase agreement for each Zooga Studio to be developed under this Agreement. Each Lease shall comply with the requirements set forth in Section 5.1 of Franchisor's current Franchise Agreement. Following Franchisor's approval of a Franchised Location, Area Developer shall execute Franchisor's Then-Current Franchise Agreement for the Zooga Studio to be located at the Franchised Location and return it to Franchisor within thirty (30) days after receipt of the execution copies of the Then-Current Franchise Agreement together with the applicable Initial Franchise Fee. If Area Developer has executed and returned the signed Then-Current Franchise Agreement and paid Franchisor the Initial Franchise Fee, Franchisor shall execute the Franchise Agreement and return one (1) fully executed copy of the Franchise Agreement to Area Developer.

5.3 **Conditions to Franchisor's Obligations**. To protect the Zooga Yoga System, the Marks, the Trade Secrets and the goodwill associated with the same, Area Developer acknowledges and agrees that, as a condition precedent to Area Developer's right to develop each Zooga Studio, all of the following conditions precedent must be satisfied and Franchisor shall execute a Then-Current Franchise Agreement for each Zooga Studio if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of Franchisor's execution of a Franchise Agreement; (ii) Area Developer demonstrates Area Developer's Then-Current financial ability to implement and complete the construction and Opening of the Zooga Studios; (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Zooga Studios required by the Minimum Development Obligation in compliance with the Development Schedule; (iv) Area Developer has executed a Then-Current Franchise Agreement and delivered it to Franchisor; (v) Area Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor; and (vi) Area Developer has paid Franchisor the Initial Franchise Fee when Area Developer executed the Franchise Agreement and returned it to Franchisor.

6. OBLIGATIONS OF AREA DEVELOPER

To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System:

6.1 **Development and Operation of Zooga Studios**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to faithfully, honestly and diligently develop, Open and operate the number of Zooga Studios in the Development Area in order to satisfy the Development Obligation and the Development Schedule in accordance with the requirements of this Agreement and each Franchise Agreement for each Zooga Studio.

6.2 **Zooga Yoga System**. Area Developer shall operate the Zooga Studios in compliance with the terms of the Franchise Agreements and the Manuals. Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of the Zooga Studios, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Zooga Yoga System that Area Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Zooga Studios, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of the Zooga Studios consistent with the policies of Franchisor. Area Developer shall comply with each Franchise Agreement and shall develop and operate the Zooga Studios in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Since every detail of the Zooga Yoga System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Zooga Studios under the Zooga Yoga System and to protect the Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Zooga Yoga System suggested by Area Developer that is reasonably likely to have an adverse material effect on the Zooga Yoga System, the Marks or Franchisor's reputation or goodwill.

7. MARKS

Franchisor and its Affiliates continue to develop, use and control the use of the Marks in order to identify for the public the source of services and products marketed under the Marks and the Zooga Yoga System, and to represent the Zooga Yoga System's high standards of quality, appearance and service. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System:

7.1 **Ownership and Goodwill of Marks**. Area Developer acknowledges that its right to use the Marks is derived solely from the Franchise Agreements between Area Developer and Franchisor. Any unauthorized use of the Marks by Area Developer shall constitute a Default under this Agreement and an infringement of Franchisor's and Franchisor's Affiliate's rights in and to the Marks. Area Developer acknowledges and agrees that as between the Parties (i) Franchisor owns the Marks and the Zooga Yoga System; (ii) Area Developer owns no goodwill or rights in the Marks or the Zooga Yoga System except for the license granted by this Agreement; and (iii) Area Developer's use of the Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Area

Developer agrees not to contest, or assist any other Person to contest, the validity of Franchisor's rights and interest in the Marks or the Zooga Yoga System either during the Term or after this Agreement terminates or expires.

7.2 **Limitations on Use**. Area Developer shall not use any Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Developer under this Agreement); (ii) in connection with unauthorized services or products; (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; or (iv) in any other manner not expressly authorized in writing by Franchisor. Area Developer shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under applicable law.

7.3 **Internet**. Area Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Area Developer shall not separately register any domain name or any portion of any domain name containing the Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Marks without Franchisor's prior written consent. Area Developer's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Area Developer commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Area Developer.

8. CONFIDENTIAL INFORMATION

8.1 **Confidential Information**. Area Developer acknowledges and agrees that the Zooga Yoga System is comprised of confidential information that has been developed by Franchisor and the Operating Company by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and the Operating Company and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, Persons or Entities, knowledge or know-how concerning the methods of operation of the Zooga Studio which may be communicated to Area Developer, or of which Area Developer may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public; or which derives independent economic value (actual or potential) from not being generally known to the public or Persons unaffiliated with Franchisor or its Affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Area Developer after receiving it; has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer; or is shown by acceptable evidence to have been independently developed by Area Developer.

8.2 **Value**. Area Developer acknowledges and agrees the Confidential Information is not generally known by the public or Persons other than Franchisor, its Affiliates, its franchisees and Area Developer; derives independent economic value (actual or potential) from not being generally known to the public or Persons unaffiliated with Franchisor, its franchisees or Area Developer; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the termination or expiration of their Franchise Agreements.

8.3 **Maintain Confidentiality**. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, Area Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Confidential Information. Area Developer shall divulge the Confidential Information only to its supervisorial or managerial personnel who must have access to it in order to perform their employment responsibilities.

8.4 **Irreparable Injury from Disclosure of Confidential Information**. Area Developer acknowledges that failure to comply with the requirements of this Article 8 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 8.

8.5 **Confidentiality Covenants from Individuals Associated with Area Developer**. Area Developer shall require any supervisorial or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Area Developer. The covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of the covenants with the independent right to enforce them.

9. TRANSFER OF INTEREST

9.1 Transfer by Franchisor.

9.1.1 Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any Person or Entity without the consent or approval of Area Developer. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Marks, or the Zooga Yoga System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Area Developer.

9.1.2 Upon the occurrence of a Capital Event, Franchisor shall have the right (the "**Take-Along Right**") to compel Area Developer to sell and, in that event, Area Developer shall sell the assets of any or all of the Zooga Studios, regardless of whether the Zooga Studios are under construction or are Open and operating (collectively the "**Take-Along Assets**") at the same value attributable to Zooga Studios owned and operated by Franchisor or its Affiliates at the closing of a Capital Event. Franchisor shall exercise this Take-Along Right to compel the sale of the Take-Along Assets by Area Developer by providing Area Developer with written notice (the "**Take-Along Notice**") setting forth the time and place of the closing of the Capital Event, which time and place shall not be less than thirty (30) days after the date of the Take-Along Notice, and the expected price and form of consideration to be paid for the Take-Along Assets at the closing.

9.2 **Assignment by Area Developer**. Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, to protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, Area Developer shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Area Developer acknowledges and agrees that Area Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly (i) any interest in this Agreement; or (ii) the right to use the Zooga Yoga System or the Marks granted pursuant to this Agreement (an "**Assignment**") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Area Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1 Unless the Parties otherwise agree in writing, Area Developer shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Zooga Studios then owned and operated by Area Developer in the Development Area. As a condition to Franchisor's consent to the Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Zooga Studio sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement; and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

9.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to Assignment identified in this Agreement: (i) the death or incapacity of any Owner; (ii) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum; (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%_ in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Area Developer; (iv) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than forty percent (40%) of the outstanding Equity or voting power of Area Developer; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of Area Developer, however effected. Area Developer shall promptly provide Franchisor with written notice (stating information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Area Developer Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Article 9.

9.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 9 shall be null and void and shall constitute a Default under this Agreement.

9.3. **Right of First Refusal**. Except with respect to a "**Qualified Assignment**", if Area Developer or an Owner receive a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire any interest in Area Developer which will result in an Assignment within the meaning of this Agreement, Area Developer or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to all of the Zooga Studios then owned and operated by Area Developer in the Development Area.

9.3.1 Area Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications; (ii) a copy of the proposed transferee's current financial statement; and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Franchisor requests.

9.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("**Purchase Notice**") given to Area Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer; and (ii) deduct from the purchase price the amount of all amounts then due and owing from Area Developer to Franchisor under this Agreement or otherwise.

9.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

9.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Area Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9.3.

9.4 **Conditions of Assignment to Third Party.** As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

9.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Area Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

9.4.2 Area Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

9.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Area Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

9.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. In exchange for signing the Then-Current Area Development Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement, as modified by the terms of the Then-Current form of Area Development Agreement. If the Proposed Buyer is an Entity, each Owner and each Owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations under the Then-Current Area Development Agreement under a Guarantee in substantially the form of **Exhibit C**. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Area Development Agreement.

9.4.5 Area Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the Assignment, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

9.4.6 Area Developer and the Proposed Buyer shall execute a General Release in favor of Franchisor.

9.4.7 Area Developer shall pay Franchisor the Transfer Fee to apply against Franchisor's administrative and other costs to process the Assignment.

9.4.8 Area Developer must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Zooga Studios to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Area Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each Person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

9.4.9 Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9.4.10 Except when the transferee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Zooga Studios who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9.4.11 The Proposed Buyer must conform the Zooga Studios with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Zooga Studios.

9.4.12 Area Developer must sign a Guarantee in substantially the form of <u>**Exhibit C**</u> under which Area Developer will personally guarantee the Proposed Buyer's obligations under the new Area Development Agreement in favor of Franchisor.

9.5 <u>**Death or Incapacity**</u>. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Person, or the remaining shareholders, members, partners or owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Person; or (ii) complete an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party, subject to the provisions of this <u>Article 9</u>. If a Successor has not purchased the interest of the deceased or incapacitated Person or completed an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

9.6 <u>**Restriction on Publicly Traded and Private Securities**</u>. Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

10. TRANSFER BY AREA DEVELOPER IN BANKRUPTCY

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and this Agreement is assumed, or Assignment of the same to any Person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee; and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Area Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

11. DEFAULT AND TERMINATION

11.1 **Termination On Area Developer's Bankruptcy or Insolvency**. Area Developer shall be deemed to be in Default under this Agreement, and all rights granted to Area Developer of this Agreement shall automatically terminate without notice to Area Developer (i) if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; (ii) if a petition in bankruptcy is filed under the United States Bankruptcy Act by Area Developer or such a petition is filed against and not opposed by Area Developer; (iii) if Area Developer is adjudicated as bankrupt or insolvent; (iv) if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for any Zooga Studio is filed and consented to by Area Developer; (v) if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Area Developer; (vii) if a final judgment in excess of $100,000 against any Zooga Studios remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); (viii) if Area Developer admits Area Developer is unable to generally pay Area Developer's debts as they become due; (ix) if execution is levied against any Zooga Studio or property; (x) if suit to foreclose any lien or mortgage against any Zooga Studio or the equipment of any Zooga Studio is instituted against Area Developer and not dismissed within thirty (30) days; or (xi) if any Zooga Studio shall be sold after levy thereupon by any sheriff, marshal, or constable.

11.2 **Termination With Notice and Without Opportunity to Cure**. Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Area Developer (i) if Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Zooga Yoga System, the Marks, the goodwill associated therewith, or Franchisor's interest therein; (ii) if Area Developer fails to comply with the Development Schedule; (iii) if any of the Franchise Agreements or any other agreement between Area Developer and Franchisor or its Affiliates are terminated due to a Default by Area Developer; (iv) if any purported assignment or transfer of any direct or indirect interest in this Agreement, in the Zooga Studios, or in all or substantially all of Area Developer's assets is made to any third party by Area Developer or an Owner without Franchisor's prior written consent; (v) if any Assignment of the Equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor's prior written consent; (vi) if Area Developer or an Owner discloses or divulges the contents of Franchisor's Manuals, Trade Secrets or other Confidential Information provided to Area Developer by Franchisor; (vii) if an approved Assignment, as required by Section 9.5, is not effected within the time provided following death or incapacity of an Owner; (viii) if Area Developer or an Owner fails to comply with the covenants in Article 13 or fails to obtain execution of and deliver the covenants required under Section 13.7; (ix) if Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement; (x) if Area Developer or an Owner, after curing a Default pursuant to Section 11.3, commits the same, similar, or different Default, whether or not cured after notice; (xi) if any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as **Exhibit C** and current financial statements as may from time to time be requested by Franchisor; (xii) if Area Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer or an Owner beyond the applicable cure period; or (xiii) upon a Default of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which by its nature is not capable of being cured by Area Developer.

11.3 **Termination With Notice and Opportunity to Cure**. Except as provided in Section 11.1 and Section 11.2, Area Developer shall have fifteen (15) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Area Developer effective immediately upon expiration of the fifteen (15) day period or such longer period as Applicable Law may require. Area Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or for failure to carry out the terms of this Agreement in good faith.

11.4 **Options At Termination**. Upon any Default under Section 11.2 or Section 11.3, Franchisor may immediately take any one or more of the following actions, by written notice to Area Developer: (i) terminate this Agreement and all rights granted to Area Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the Development Obligation; (iv) eliminate or diminish Area Developer's rights with respect to the Development Area or the size of the Development Area; or (v) increase the fees to be paid by Area Developer to Franchisor.

11.5 **Cross-Default**. Any Default by Area Developer under the terms and conditions of this Agreement, any Franchise Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer, shall be deemed to be a Default of each and every other agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Area Developer, Franchisor may, at its option, terminate any or all of the other agreements.

12. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Area Developer shall forthwith terminate, and the following provisions shall apply:

12.1 **No Right to Open Additional Zooga Studios**. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, upon termination or expiration of this Agreement: (i) Area Developer shall have no further right to develop any Zooga Studios; (ii) Area Developer shall have no further rights or obligations under this Agreement or the Franchise Agreements that were terminated; (iii) Area Developer shall have the right to continue to own and operate all Zooga Studios Opened by Area Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date; and (iv) Franchisor may thereafter develop, open and operate, and grant franchises to third parties to develop, open and operate Zooga Studios at any location within or outside of the Development Area, without restriction.

12.2 **Payment of Monies Due**. Upon termination or expiration of this Agreement, Area Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Area Developer, the sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Area Developer.

12.3 **Return of Materials and Information**. Upon termination or expiration of this Agreement, Area Developer shall immediately deliver to Franchisor all other records, files, and any instructions containing Confidential Information which are in Area Developer's possession and all copies thereof (all of which are acknowledged to be the property of Franchisor).

13. COVENANTS

13.1 **No Prior Experience, Information or Knowledge**. Area Developer specifically acknowledges and agrees that prior to becoming an area developer of Franchisor, Area Developer had no experience, information or knowledge whatsoever about children's gyms or businesses that offer indoor, outdoor, or mobile play centers for children, or which feature any combination of swings, mats, tunnels, balance beams, trampolines, play structures, sensory based toys, motor play toys, arts and crafts areas, and/or the sale of related products or services and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of the Zooga Studio under the Franchise Agreement. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Zooga Yoga System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

13.2 **Non-Competition During Term of Agreement**. Area Developer and each Restricted Person covenants that during the Term, except as otherwise approved in writing by Franchisor, Area Developer and each Restricted Person shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any Person, or Entity (i) divert or attempt to divert any present or prospective Zooga customer to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the Zooga Yoga System; (ii) employ or seek to employ any Person who is or has been within the preceding ninety (90) days employed by Franchisor or an Affiliate of Franchisor as a supervisorial or managerial employee, or otherwise directly or indirectly induce the Person to leave his or her employment; or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.2 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer.

13.3 **Non-Competition After Expiration or Termination of Agreement**. Except as Franchisor otherwise approves in writing, commencing upon the date of: (i) an Assignment permitted under Article 9; (ii) the Expiration Date of this Agreement; (iii) the termination of this Agreement (regardless of the cause for termination); or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.3, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Restricted Person shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business within a ten (10) mile radius of any Franchised Location or other Zooga Studio; provided, however, the restrictions stated in this Section 13.3 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area.

13.4 **Exceptions to Non-Compete Covenants**. Section 13.2 and Section 13.3 shall not apply to ownership by Area Developer or a Restricted Person of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

13.5 **Reducing Scope of Covenants**. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 13.2 and Section 13.3, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.6 **Enforceability of Covenants Not Affected by Area Developer Claims**. The existence of any claims Area Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Area Developer shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 13.

13.7 **Covenants from Individuals**. Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 13 (including covenants applicable upon the termination of a Person's relationship with Area Developer) from all Restricted Persons. Every covenant required by this Section 13.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.8 **Breach of Covenants Causes Irreparable Injury**. Area Developer acknowledges that the violation of any covenant in this Article 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the conduct or action.

13.9 **Effect of Applicable Law**. In the event any portion of the covenants in this Article 13 violates laws affecting Area Developer, or is held invalid or unenforceable in a final judgment to which Franchisor and Area Developer are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Area

Developer. The provisions of this Article 13 shall be in addition to and not in lieu of any other confidentiality obligation of Area Developer, or any other Person, whether pursuant to another agreement or pursuant to Applicable Law.

13.10 **Survival**. The provisions of this Article 13 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Marks, the Zooga Yoga System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2 **Public Notice of Independent Status**. Area Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Area Developer of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any such notice.

14.3 **Independent Contractor**. Area Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations 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, nor shall Franchisor be liable by reason of any act or omission of Area Developer in its conduct of the operation of the Zooga Studios or for any claim or judgment arising therefrom against Area Developer or Franchisor.

14.4 **Indemnification**. Area Developer and its Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "**Indemnitees**"), from any and all "**Losses and Expenses**" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Area Developer's operation of a Zooga Studio and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Area Developer; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Area Developer). For the purpose of this Section 14.4, the term "**Losses and Expenses**" means and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

14.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give the notice on a timely basis.

14.4.2. With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume the control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

14.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make the payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

14.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

14.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make the investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

14.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

15. DISPUTE RESOLUTION

15.1 Mediation and Arbitration.

15.1.1 The Parties pledge to attempt first to resolve any dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association unless the Parties agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Los Angeles County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by the Parties. The fees and expenses of the mediator shall be shared equally by the Parties. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the Parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, the Parties shall each be free to pursue their respective legal remedies under Section 15.2.

15.1.2 If any dispute between the parties cannot be resolved through mediation within forty-five (45) days following the appointment of the mediator, the parties agree to submit such dispute to arbitration subject to the terms and conditions of Section 15.1.3.

15.1.3 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in the county and state where we maintain our headquarters under the authority of such state's statutes (the "Statutes"). The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the Parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Statutes. The decision of the arbitrator(s) will be final and binding on all Parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, the Parties shall fully perform their respective obligations under this Agreement.

15.2 **Judicial Relief.** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Zooga Studios are located outside of California and the provision would be enforceable under the laws of the state in which the Zooga Studios are located, then the provision shall be interpreted and construed under the laws of that state. Nothing in this Section 15.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

15.3 **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or a Default under this Agreement must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability; or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. the Parties, for themselves, and for and on behalf of the Owners, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the Parties shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 15.5.

15.4 **Specific Performance**. The Parties acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the Parties agree that the provisions of this Agreement shall be specifically enforceable. The Parties further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Area Developer might otherwise have.

15.5 **Attorneys' Fees**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.6 **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any such claim for damages. Neither Party may claim any such damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

15.7 **Exceptions to Mediation**. The mediation provision in Section 15.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Area Developer to comply with Area Developer's obligations to Franchisor and/or to protect the Marks. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to mediation.

16. ANTI-TERRORISM LAWS

Area Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Area Developer certifies, represents and warrants that none of Area Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Area Developer or Area Developer's employees or any "blocking" of Area Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Area Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2.

17. NOTICES

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, by facsimile transmission or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; (iv) on the day of facsimile transmission to the facsimile number given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of facsimile transmission; and (v) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Zooga Yoga Enterprises, Inc.
11054 Washington Boulevard
Culver City, California 90232
Attention: Chief Executive Officer

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

Notices to Area Developer: See **Exhibit A**

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

18. ACKNOWLEDGMENTS.

18.1 **Waiver and Delay**. No waiver by Franchisor of any Default, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any Franchise Agreement or other agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

18.2 **Survival of Covenants**. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the termination or expiration of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

18.3 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and its or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

18.4 **Joint and Several Liability**. If Area Developer consists of more than one Owner, the obligations and liabilities of each Person or Entity to Franchisor are joint and several.

18.5 **Entire Agreement**. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Area Developer agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the franchise disclosure document previously furnished to Area Developer.

18.6 **Titles and Recitals**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The statements set forth in Recitals A through C of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

18.7 **Responsibility**. The term "**Area Developer**" as used in this Agreement shall refer to each Person executing this Agreement as Area Developer, whether the Person is one of the Owners, spouses, partners, shareholders, members, trustees, trustors or beneficiaries or Persons named as included in Area Developer, and shall apply to each Person as if he or she were the only named Area Developer in this Agreement. If Area Developer consists of more than one Owner, the obligations and liabilities of each Owner to Franchisor are joint and several.

18.8 **Gender and Construction**. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. The Parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.9 **Severability; Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

18.10 **Counterparts and Electronic Transmission**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

18.11 **Electronic Execution and Copies**. This Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and Electronic Signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits. An executed copy of this Agreement (or any portion of this Agreement) may be delivered by either of the Parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (collectively, "**electronic**"), and delivery will be effective and binding upon the Parties, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement. Area Developer acknowledges and agrees that Franchisor may create an electronic record of any or all agreements, correspondence or other communications between the Parties or involving third parties and may thereafter dispose of or destroy the original of any of the agreements, correspondence or other communications. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding any Applicable Law to the contrary, any electronic version of this Agreement or any other agreements, correspondence or other communications between the Parties will have the same legal effect, validity and enforceability as an original of any document, even if the original of the document has been disposed of or intentionally destroyed.

18.12 **Time of the Essence**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.13 **Intent to Comply**. Area Developer has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Zooga Studios in order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Marks, and to promote the goodwill of all Zooga Studios, the Marks and the Zooga Yoga System. Area Developer, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Area Developer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

18.14 **Independent Investigation**. Area Developer has conducted an independent investigation of the business contemplated by this Agreement. Area Developer recognizes that the Zooga Yoga System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Area Developer's business ability and efforts.

18.15 **Counsel**. The Parties acknowledge and agree that each Party has been represented by independent legal counsel their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so.

18.16 **Reliance**. Area Developer has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

18.17 **No Representations**. No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to the terms contained in this Agreement. Area Developer shall remain duly organized and in Good Standing for as long as this Agreement is in effect.

18.18 **Atypical Arrangements**. Area Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other area developers and franchisees in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that area development agreements or franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other area developers and franchisees in a non-uniform manner.

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

FRANCHISOR:	**AREA DEVELOPER:**
ZOOGA YOGA ENTERPRISES, INC.,	______________________________

A California corporation

By: ________________________
Name: ________________________
Title: ________________________

A ________________________

By: ________________________
Name: ________________________
Title: ________________________

OR
NAME AND SIGNATURE OF
INDIVIDUAL AREA DEVELOPERS

____

____

____

____

____

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
DEVELOPMENT INFORMATION

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
DEVELOPMENT INFORMATION

EFFECTIVE DATE: ____;

AREA DEVELOPER: ____.

DEVELOPMENT AREA is defined as the territory within the boundaries described below:

____
____
____

If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the center line of each street, highway, freeway or other roadway.

DEVELOPMENT OBLIGATION: ____________ **ZOOGA STUDIOS.**

DEVELOPMENT SCHEDULE: ________ Zooga Studios must be Opened within ___ months from the Effective Date as follows:

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF ZOOGA STUDIOS TO BE IN OPERATION
TOTAL	

DEVELOPMENT FEE: $__________________ (@ $10,000 for each Zooga Studio, except for Zooga Studio #1).

DEVELOPMENT FEE CREDIT: $10,000 per Zooga Studio except for Zooga Studio #1 (maximum credit per Zooga Studio).

NOTICE ADDRESS FOR AREA DEVELOPER:

____
____;
Email: ____________________________________.

COUNTERPARTS AND ELECTRONIC TRANSMISSION; ELECTRONIC SIGNATURES:

This **Exhibit A** may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this **Exhibit A** with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this **Exhibit A** for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this **Exhibit A**. In addition, this **Exhibit A** may be signed electronically by the Parties and electronic signatures appearing on this **Exhibit A** shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this **Exhibit A**.

IN WITNESS WHEREOF, the Parties have executed this **Exhibit A** on the Effective Date.

FRANCHISOR:	**AREA DEVELOPER:**
ZOOGA YOGA ENTERPRISES, INC.,	______________________________
A California corporation	A ____________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________

OR
NAME AND SIGNATURE OF
INDIVIDUAL AREA DEVELOPERS

____

____

____

____

____

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

Area Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Area Developer is a (check as applicable):

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): ____________________

State of incorporation/organization: ______________
Name of Area Developer Entity: ____________________

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "**Entity Documents**").

(3) Area Developer promptly shall provide all additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Area Developer.

(4) The name and address of each Owner is:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of the Owners who will be devoting their full time to the development of Zooga Studios are:

NAME	ADDRESS	TITLE

(6) The address where Area Developer's financial records and Entity Documents are maintained is:
____.

(7) The Principal Owner is ____.

(8) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in the Area Development Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

(9) This **Exhibit B** may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this **Exhibit B** with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this **Exhibit B** for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this **Exhibit B**. In addition, this **Exhibit B** may be signed electronically by the Parties and electronic signatures appearing on this **Exhibit B** shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this **Exhibit B**.

IN WITNESS WHEREOF, the Parties have executed this **Exhibit B** on the Effective Date.

FRANCHISOR:

ZOOGA YOGA ENTERPRISES, INC.,
A California corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

AREA DEVELOPER:

____
A ______________________________

By: ______________________________
Name: ______________________________
Title: ______________________________

OR

NAME AND SIGNATURE OF INDIVIDUAL AREA DEVELOPERS

____

____

____

____

____

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

ZOOGA YOGA ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

The undersigned ("**Guarantors**") have requested **ZOOGA YOGA ENTERPRISES, INC.**, a California corporation ("**Franchisor**"), to enter into that certain Area Development Agreement dated __________________ (the "**Area Development Agreement**") with ______________________________, a __________________ ("**Area Developer**"). In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby grant this Guarantee (this "Guarantee") as follows:

1. "**Obligations**" means and includes any and all obligations of Area Developer arising under or pursuant to the Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Area Developer to Franchisor of whatever nature.

2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Area Developer to Franchisor and the performance of any and all obligations of Area Developer including, without limitation, obligations under the Area Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3. If Area Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Area Development Agreement is not observed, performed or discharged as required by the Area Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Area Developer or any other Person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Area Developer. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Area Development Agreement or of any of the Obligations, in whole or in part; (ii) any acceptance, enforcement or release by Franchisor of any security for the Area Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Area Development Agreement or the Obligations or any security therefore; (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Area Development Agreement (or any of them) by Franchisor or Area Developer; (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations; or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other Person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others; (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations; (v) notice of Area Developer's Default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other Person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assumes or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Area Developer. All existing or future indebtedness of Area Developer to Guarantors and any right to withdraw capital invested in Area Developer by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of: (i) all rights described in <u>California Civil Code Sections 2856(a)(1)</u> through <u>(a)(3)</u>, inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of <u>California Civil Code Sections 2787</u> through <u>2855</u>, inclusive; and (ii) <u>California Civil Code Section 2899</u>.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Area Developer's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Area Development Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of

whether action is brought against Area Developer or whether Area Developer is joined in any such action or actions. Franchisor may maintain successive actions for other defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Area Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Area Developer or any other Person or Entity, or applying or enforcing any security of the Area Development Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are bound by each and all of the confidentiality and non-competition provisions of the Area Development Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 17 of the Area Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

______________________________ ______________

____

____

______________________________ ______________

____

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
CONFIDENTIALITY AGREEMENT

ZOOGA YOGA ENTERPRISES, INC.
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ___ day of ________________, 20__ (the "**Effective Date**"), by and between **ZOOGA YOGA ENTERPRISES, INC.**, a California corporation ("**Franchisor**"), on the one hand, and ____________________, a ________________________ ("**Candidate**"), on the other hand, with reference to the following facts:

A. Zooga Yoga, LLC, a California limited liability company (the "**Operating Company**"), an affiliate of Franchisor, as the result of the expenditure of time, skill, effort and money, has developed a children's yoga studio that provides a bright, fun, creative, yoga and play studio, dedicated to introducing kids and families to a one-of-a-kind, branded yoga experience. ("**Zooga Yoga Studio**").

B. Zooga Yoga Studios are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the marks "**Zooga**", "**YogaPlay**", "**Napercise**" and such other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing (collectively, the "**Zooga Marks**") for use in connection with the operation of Zooga Yoga Studios.

C. The distinguishing characteristics of Zooga Yoga Studios include, without limitation, a full range of yoga classes for all ages, including: Pre/Postnatal, Mommy & Baby, Infant, Toddler, Kids, Teen, and Adults as well as specialty classes such as Dance, Music, Baby Sign and a series of parenting workshops; Studio and in-home private sessions; school programs, camps, special events, including birthday parties and "Kids' Nite Out"; manuals, materials, services, and related written content created, owned, and copyrighted or copyrightable by the Operating Company (collectively, the "**Zooga Proprietary Programs**"), distinctive signage, exterior and interior design, decor, and color scheme for the Zooga Yoga Studios; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; inventory and management procedures; training and assistance; Franchisor specified pricing; and advertising and promotional programs, all of which may be changed, improved and further developed by Franchisor from time to time (collectively, the "**Zooga System**"). Franchisor has obtained the right to use, and to license others to use, the Zooga Marks and the Zooga System, and has, as a result of its expenditure of time, skill, effort, and money, developed a distinctive franchise model for qualified franchisees to obtain the right to operate a Zooga Yoga Studio using the Zooga Marks and the Zooga System.

D. Candidate desires to apply to become a Zooga Yoga Studio franchisee. In connection therewith, Franchisor may provide Candidate with confidential and proprietary information regarding the Zooga Proprietary Programs and the Zooga System prior to granting or declining to grant Candidate a franchise or entering into a franchise agreement with Candidate. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. <u>**INCORPORATION OF RECITALS**</u>.

The recitals set forth in Paragraphs A through D above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. CONFIDENTIALITY.

Candidate acknowledges and agrees:

2.1. **Zooga Confidential Information**. That Candidate's knowledge of the elements of the Zooga Proprietary Programs and the Zooga System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as "**Zooga Confidential Information**". By way of illustration, but not limitation, "**Zooga Confidential Information**" includes tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Zooga Proprietary Programs and Zooga System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public; or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Zooga Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate. Zooga Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Candidate after receiving it; has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate; or is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value**. That the Zooga Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3. **Proprietary**. That the Zooga Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates.

2.4. **Maintain Confidentiality**. That Candidate will fully and strictly maintain the confidentiality of the Zooga Confidential Information, will exercise the highest degree of diligence in safeguarding the Zooga Confidential Information and will not disclose or reveal the Zooga Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5. **Reproduction and Use**. That Candidate will not directly or indirectly reproduce or copy any Zooga Confidential Information or any part thereof and will make no use of any Zooga Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value and secondary meaning attached to the Zooga Confidential Information and the elements of the Zooga Proprietary Programs and the Zooga System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Zooga Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Zooga Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Heirs and Successors**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

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

3.4. **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Zooga Yoga Studio, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Zooga Yoga Studio and that Candidate's business ability and aptitude are primary in determining his success.

3.5. **No Right to Use the Zooga Proprietary Programs, Zooga System or the Zooga Marks**. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Zooga Confidential Information, the Zooga Proprietary Programs, the Zooga System and/or the Zooga Marks, which right is expressly reserved by Franchisor.

3.6. **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity**. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

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

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

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

3.11. **Notices**. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Zooga Yoga Enterprises, Inc.
11054 Washington Boulevard
Culver City, California 90232
Phone: (310) 839-6642
Attention: Chief Executive Officer

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

Notices to Candidate:

____
____
____
Fax: __________________
Attention: ________________

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

3.12. **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Zooga Yoga Studio is located outside of California and such provision would be enforceable under the laws of the state in which the Zooga Yoga Studio is located, then such provision shall be interpreted and construed under the laws of that state.

3.13. **Venue**: The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.14. **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above.

FRANCHISOR:	**CANDIDATE:**
ZOOGA YOGA ENTERPRISES, INC. A California corporation	
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
LIST OF FRANCHISEES

EXHIBIT E TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AS OF DECEMBER 31, 2017

Jennifer and Rob Whitaker
Redondo Beach

Zooga Studio Address and Telephone

2206 Artesia Blvd.
Redondo Beach, CA 90278
(310) 318-5653

LIST OF FRANCHISEES WHOSE OUTLETS WERE TERMINATED, DID NOT RENEW, REACQUIRED BY FRANCHISOR, OR CEASED OPERATIONS FOR OTHER REASONS AS OF DECEMBER 31, 2017

None

LIST OF FRANCHISEES WHO SIGNED AGREEMENTS BUT THE LOCATIONS WAS NOT YET OPEN AS OF DECEMBER 31, 2017

Ariel Friedman
West Hollywood

Zooga Studio Address and Telephone
8302 Melrose Avenue, Suite A
Los Angeles, CA 90069
323-847-5084

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
OPERATIONS MANUAL TABLE OF CONTENTS

Zooga Yoga Franchise Operations Manual

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ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
STATE SPECIFIC ADDENDA

EXHIBIT H TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California with the costs being borne by equally by the parties. 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.

7. The Franchise Agreement requires mediation. The mediation will occur at mutually agreed location or in the county and state where Franchisor maintains its headquarters with the costs being borne equally by Franchisor and Franchisee.

8. The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under California law.

9. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

10. 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.

11. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

12. OUR WEBSITE, www.zoogayoga.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

13. The Antitrust Law Section of the Office of the California Attorney General views resale price maintenance agreements as per se violations of the Cartwright Act.

14. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

15. The following paragraph is added at the end of Item 19 of the Disclosure Document:

"The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information."

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated _______________, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _______________, by and between **ZOOGA YOGA ENTERPRISES, INC.**, a California corporation, as franchisor ("**Franchisor**"), and _______________________, as franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

a. Franchisee will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

b. For the purposes of Section 20022, Franchisee are not able to provide to Franchisor with "clear title and possession" to Franchisee's Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by franchisee's landlord; or (v) tax liens.

c. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or Franchisor's Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) liquidated damages; (iv) Transfer Fees; and (v) any other type of fee owed by Franchisee to Franchisor or our Affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

a. **"Fair market value of the franchise assets"** means the value of Franchisee's Assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

b. **"Fair market value of the franchised business"** means the **"fair market value of the franchise assets"** as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by Franchisee to Franchisor within the twelve (12) month period immediately before our termination or failure to renew if we are in violation of the California Franchise Relations Act.

(Signature page follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:	**FRANCHISEE:**
ZOOGA YOGA ENTERPRISES, INC.	______________________________
A California corporation	A ____________________________
By: ____________________________	By: ____________________________
Name: __________________________	Name: __________________________
Title: ___________________________	Title: ___________________________

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
GENERAL RELEASE

ZOOGA YOGA ENTERPRISES, INC.
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Release Agreement**") is made and entered into as of ____________, (the "**Effective Date**"), by and among **ZOOGA ENTERPRISES, INC.**, a California corporation ("**Franchisor**"), on the one hand, and ____, a ________________________ ("**Franchisee**"), and ________________________ ("**Owner**"), on the other hand, who are collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement and related ancillary agreements dated ________________________ (collectively, the "**Franchise Agreement**") pursuant to which Franchisor granted Franchisee a license (the "**License**") to use the service mark and trade names "**Zooga Yoga**" "**YogaPlay**" "**Napercise**" and other related trademarks, service marks, logos and commercial symbols (the "**Zooga Marks**") and the "**Zooga System**" (the "**System**") in connection with the operation of a Zooga Studio (the "**Franchised Unit**") located at __________________________ (the "**Franchised Location**").

B. Franchisee desires to enter into a __________________________________.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, IT IS AGREED:

1. **<u>DEFINITIONS</u>**. As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 "**Claims**" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise.

1.2 "**Constituents**" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

1.3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement.

1.4 "**Franchisor Released Parties**" means Franchisor and each of its Constituents.

1.5 **"Losses"** means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. **GENERAL RELEASE AGREEMENT**. Releasing Parties, **for themselves and their Constituents**, hereby release and forever discharge Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, including, without limitation any and all Claims which relate to the Franchise Agreement, the Franchised Unit, the System, the License, the Zooga Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement. This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense.

3. **WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE**.

3.1 **Section 1542 of the California Civil Code**. Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3.2 **Waiver**. With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.

4. **UNKNOWN CLAIMS**. Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties" decision to enter into this Release Agreement. It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date. Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts.

5. **REPRESENTATIONS AND WARRANTIES**. Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties: (i) are doing so freely and voluntarily, either upon the advice of counsel and business advisors of Releasing Parties' own choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud, declined to obtain such advice; (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or any contingent interest, in any of the

Claims released by this Release Agreement now or in the future, and are aware of no third party who contends or claims otherwise, and shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date.

6. **COVENANTS NOT TO SUE**. Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly: (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement; or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement.

7. **INDEMNITY**. Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with: (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents; or (iv) the Franchise Agreement, the Franchised Unit, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Franchised Unit, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date.

8. **GENERAL PROVISIONS**.

8.1 **Amendment**. This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties.

8.2 **Entire Agreement**. This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to the subject matter of this Release Agreement. The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement.

8.3 **Counterparts and Electronic Transmission; Electronic Signatures**. This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement.

8.4 **Heirs, Successors and Assigns**. This Release Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. In addition, each of Franchisor Released Parties that is not a party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party.

8.5 **Interpretation**. The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties, and shall have no applicability in construing this Release Agreement or any of its terms. The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement. As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

8.6 **Severability and Validity**. Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

8.7 **Governing Law and Venue**. This Release Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Franchised Unit is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Unit is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 8.7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought the in Superior Court of California, County of Los Angeles, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

8.8 **Authority of Franchisor**. Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity.

8.9 **Authority of Releasing Parties**. Releasing Parties represent and warrant that (i) they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalves are duly authorized to do so without the approval or consent of any other person or entity.

8.10 **No Waiver**. No delay, waiver, omission, or forbearance on the part of any party to exercise any right, option, duty, or power arising out of any breach or default by any other party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the parties at variance with the terms of this Release Agreement, shall constitute a waiver by any party to enforce any such right, option, or power as against the other parties, or as to a subsequent breach or default by the other parties.

8.11 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Release Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

8.12 **Further Acts**. The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement.

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

ZOOGA YOGA ENTERPRISES, INC.
A California corporation

By: ______________________________
Antonia King, Founder/CEO

FRANCHISEE:

____
A ______________________________

By: ______________________________
Name: ______________________________
Title: ______________________________

OWNER:

____
____________________, an individual

____
____________________, an individual

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

EXHIBIT J TO THE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Zooga Yoga Enterprises, Inc., (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Zooga Business (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _______________, 20___.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____

____

____
____
____
____

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any

particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? ____

____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

____
____
____
____

I signed the Franchise Agreement and Addendum (if any) on ______________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____
____
____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _______________, 20____.

Sign here if you are taking the franchise as an INDIVIDUAL	Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP
______________________________ Signature	______________________________ Print Name of Legal Entity
Print Name______________________	By:______________________________ Signature
______________________________ Signature	Print Name______________________
Print Name______________________	Title__________________________
______________________________ Signature	
Print Name______________________	
______________________________ Signature	
Print Name______________________	

ZOOGA YOGA ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
RECEIPTS

RECEIPT

(KEEP THIS COPY FOR YOUR RECORDS)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Zooga Yoga Enterprises, Inc., 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 requires 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 or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Zooga Yoga Enterprises, Inc., does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Zooga Yoga Enterprises, Inc., located 11054 Washington Boulevard, Culver City, California 90232. Its telephone number is (310) 839-6642 (call or text) or email at franchise@zoogayoga.com.

Issuance date: April 17, 2018.

The name, principal business address and telephone number of the franchise seller for this offering is: ☐ Antonia King, 11054 Washington Boulevard, Culver City, California 90232; (310) 839-6642 ☐ Christopher King, 11054 Washington Boulevard, Culver City, California 90232; (310) 839-6642; ☐Other ______________________.

Zooga Yoga Enterprises, Inc., authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 17, 2018, that included the following Exhibits:

A – List of State Agencies/Agents for Service of Process	G – Operations Manual Table of Contents
B – Franchise Agreement	H – State Specific Addenda
C – Area Development Agreement	I – General Release
D – Confidentiality Agreement	J – Franchisee Disclosure Acknowledgment Statement
E – List of Franchisees	K – Receipts
F – Financial Statements	

Date:______________________ ______________________________
(Do not leave blank) Signature of Prospective Franchisee

____
Print Name

You may return the signed receipt by signing, dating and mailing it to Zooga Yoga Enterprises, Inc., 11054 Washington Boulevard, Culver City, California 90232.

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2018 ZOOGA FDD
4/17/2018

RECEIPT

(RETURN THIS COPY TO US)

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________.

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Date:______________________ ________________________________
(Do not leave blank) Signature of Prospective Franchisee

____
Print Name

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