

# FRANCHISE DISCLOSURE DOCUMENT



Modo Yoga International, Inc., a British Columbia corporation  
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The franchisee will operate a yoga studio under the name Modo Yoga, followed by the name of the territory in which the franchisee's yoga studio is located. For example, a yoga studio located in Seattle will operate under the name Modo Yoga Seattle.

The total investment necessary to begin operations of a single studio ranges from \$358,900 to \$986,000. This includes \$30,000 to \$37,450 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the New Studios Coordinator at 980 Alder Street, Campbell River, British Columbia, V9W 2P9 Canada, [newstudios@modoyoga.com](mailto:newstudios@modoyoga.com) and (866) 966-9642.

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

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

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

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## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in California than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **General Financial Condition:** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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## Exhibits

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
- C. Lists of Current Franchisees and Former Franchisees
- D. Financial Statements
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## ITEM 1

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

To simplify the language in this disclosure document, "**Modo**", "**Modo Yoga**", "**we**" or "**us**" means the franchisor, Modo Yoga International, Inc., a British Columbia corporation. "**You**" means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company or other entity (an "**Entity**"), "you" may also refer to its owners.

Modo was formed on September 25, 2012. Our principal and registered business address is 980 Alder Street, Campbell River, British Columbia, V9W 2P9 Canada. We do not have any affiliates that are required to be disclosed in this Item. Our agents for service of process are disclosed in Exhibit B to this disclosure document.

Our direct parent company is Remora EQ Limited Partnership ("**Remora EQ LP**"). Remora EQ LP became our direct parent company in December 2023 through an acquisition. Remora EQ LP's principal business address is 123 Slater Street, 3<sup>rd</sup> Floor, Ottawa, Ontario, K1P 5H2. Our indirect parent companies are: (a) Remora EQ Distribution LP ("**Remora EQ Distribution**"), which is a limited partner of Remora EQ LP; (b) Remora EQ General Partner Inc. ("**Remora EQ General Partner**"), which performs certain services for Remora EQ LP pursuant to a management agreement between Remora EQ LP and Remora EQ General Partner; and (c) Welch Capital Partners Inc. ("**Welch Capital**"), which is the parent company of Remora EQ Distribution and Remora EQ General Partner. Remora EQ Distribution, Remora EQ General Partner, and Welch Capital share Remora EQ LP's principal business address.

We franchise the right to operate a yoga studio offering hot yoga classes to the public under the name Modo Yoga (a "**Studio**"). We began offering franchises in 2013. Our former affiliate, Moksha Yoga Inc. ("**Moksha**"), offered licenses for the operation of Moksha Yoga studios in Canada from 2004 to 2018 and in the United States from 2008 to 2012. Moksha's licensed studios in the United States were previously identified by the name "Moksha Yoga" but, beginning in September 2013, all of these studios were re-branded to Modo Yoga and converted to our Franchise Agreement. We now act as the franchisor for all of Moksha's former licensees. Moksha was an Ontario corporation that was dissolved in October 2018.

We do not offer franchises in any other line of business. We do not operate any other businesses but we do offer yoga teacher training programs for individual yoga teacher instruction from our locations in Los Angeles, California, Victoria, British Columbia, Montreal, Quebec, and other locations as we determine.

Modo Yoga is a green, clean, hot yoga series that stretches, strengthens and tones the muscles while detoxifying the body and calming the mind. Studio owners will be trained in Modo Yoga and will be encouraged to bring their own unique knowledge and experience, as well. Each Studio is distinguished by using, as part of the Modo Yoga name, the name of the territory in which the Studio is located. For example, if you will operate your Studio in Seattle, Washington, you will operate your Studio under the name Modo Yoga Seattle. We have developed a line of proprietary merchandise including yoga apparel, equipment and accessories for sale from Studios.

The general market for the goods and services offered by a Studio is well developed and competitive. In addition to laws and regulations that apply to businesses generally, you may be

subject to regulations relating to public health and safety codes and ordinances. These include regulations concerning smoking, sanitation, discrimination, employment and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. You should consult with your own advisors and the government agencies in your state for information on how these laws apply to you. Your competitors include other yoga studios, including those that offer hot yoga.

## ITEM 2

### BUSINESS EXPERIENCE

Emily Drouillard, Chief Executive Officer: Emily became our Chief Executive Officer in October 2021. Before that, Emily was our Marketing Lead from January 2021 to October 2021. From September 2012 to October 2021, Emily was an Owner of Modo Yoga Cambridge in Cambridge, Ontario, Canada. Emily maintains her offices in Cambridge, Ontario.

Ash Steier, Chief Financial Officer: Ash became our Chief Financial Officer in February 2020. Prior to that, Ash served as Manager, Financial Planning and Analysis – Global Technology & Corporate Capital for lululemon in Vancouver, British Columbia from May 2017 to December 2019. Ash maintains his offices in Raleigh, North Carolina.

Nava Dabby, Chief Operating Officer: Nava became our Chief Operating Officer in October 2022. Before that, Nava was our Director of Studio Operations from January 2022 to October 2022, and Studio Operations Manager from February 2020 to December 2021. From November 2012 to February 2020, Nava was Studio Manager of Modo Yoga St. Clair West in Toronto, Ontario. Nava maintains her offices in Kingston, Ontario.

Frank Ferrari, Secretary: Frank became our Secretary in December 2023. He has also been the President of MarketSET in Peterborough, Ontario since August 2004 and President of PepperLime Health Acquisition Corporation in San Francisco, California since October 2021. Before that, he was President of Standard Innovation Corporation in Ottawa, Ontario from November 2014 to June 2020 and a Director of Standard Innovation Corporation from 2008 to 2020. From May 2018 to June 2020, he was President of WOW Tech in Ottawa, Canada. Frank maintains his offices in Peterborough, Ontario.

Candace Enman, Director and Treasurer: Candace became our Director and Treasurer in December 2023. She has also been President of Welch Capital in Ottawa, Ontario since January 2010. She maintains her offices in Ottawa, Ontario.

Navneet Aggarwal, Director: Navneet became our Director in December 2023. He has also been President and Chief Executive Officer of A&A Pharmachem Inc. in Ottawa, Ontario since January 2019. Navneet maintains his offices in Ottawa, Ontario.

Jardin Schnurr, Director: Jardin became our Director in December 2023. He has also been the Chief Executive Officer of The Bone & Biscuit Co. in Kelowna, British Columbia since January 2024. Before that, he was Chief Operating Officer of The Bone & Biscuit Co. from May 2022 to January 2024. From February 2018 to May 2022, he was the Director of Investments for PFM Capital in Regina, Saskatchewan. Jardin maintains his offices in Kelowna, British Columbia.

Christian Jennings, Director: Christian became our Director in December 2023. He has also

been President of Jennings Real Estate Corp. in Ottawa, Ontario since August 2018. Christian maintains his offices in Ottawa, Ontario.

Andrew Jackson, Director: Andrew became our Director in December 2023. He has also been Principal and Chief Executive Officer of Knowmads Inc. in Ottawa, Ontario since 2011. Andrew maintains his offices in Ottawa, Ontario.

Stephan May, Director: Stephan became our Director in December 2023. He has also been Managing Partner of Welch Capital in Ottawa, Ontario since January 2015. Stephan maintains his offices in Ottawa, Ontario.

Maura Costello, Operations Advisor: Maura became our Operations Advisor in October 2022. Before that, Maura was our Chief Operating Officer from January 2020 to September 2022 and our Director of Operations from December 2015 to December 2019. Maura maintains her offices in Toronto, Ontario.

### ITEM 3

#### LITIGATION

In August 2013, we and our former affiliate, Moksha, signed a consent order with the state of Minnesota in connection with the offer and sale of an unregistered and non-exempt franchise, in violation of Minn. Stat. §80C.02 (2012). The consent order is entitled *In the Matter of Moko Yoga International, Inc., a British Columbia Corporation, and its affiliate Moksha Yoga Inc.*, Case No. FR1300020/DPK. According to the consent order, we were required to cease from offering or selling franchises in Minnesota until registration in compliance with state laws was permitted, which registration was soon after approved, offer rescission to our affiliate's licensed studio located in Minnesota, and pay a civil penalty of \$1,000 to the State of Minnesota. All of these requirements have been satisfied completely and the matter has been closed.

No other litigation is required to be disclosed in this Item.

### ITEM 4

#### BANKRUPTCY

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

### ITEM 5

#### INITIAL FEES

New franchisees must pay a \$25,000 initial franchise fee in a lump sum when they sign the Franchise Agreement for a Modo Yoga franchise. We will reduce the initial franchise fee if you open one or more additional Modo Yoga franchises. The fee for your second and each subsequent Modo Yoga franchise will be \$10,000. Other than as described in this paragraph, all initial franchise fees are uniform.

If we determine that you do not qualify to operate a Studio after completing training, or you do not sign a lease for a suitable location for your Studio within 180 days of signing the Franchise Agreement (the "**Lease Deadline**"), or both, either you or we may terminate the Franchise

Agreement and in such case we will refund the initial franchise fee less 20% to cover our expenses for evaluating your application and providing you training and other assistance. Alternatively, we may agree to reasonable extensions to the Lease Deadline in 6-month increments upon you paying an extension fee of \$250 for each extension. The initial franchise fee is otherwise not refundable.

Before you open the Studio for business, we will provide an initial training program for you (or if you are an Entity, your owners). We will not charge a fee to train up to 3 individuals. At your option, additional Studio personnel may attend the initial training program but we may charge a fee for each additional participant. We currently charge \$1,200 for each additional staff member. Training fees are not refundable under any circumstance.

You also must purchase an initial inventory package of supplies from us. The package includes inventory of yoga apparel, equipment and accessories, including our proprietary products, for your first 90-days of operations. Packages range in cost from \$5,000 - \$11,000, depending on the size of your Studio and your ability and desire to back-stock supplies.

**ITEM 6**

**OTHER FEES**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	\$350 continuing royalty for each monthly period (" <b>Fixed Royalty Fee</b> "); and a weekly continuing royalty of 5% of Franchisee's Gross Revenues (" <b>Variable Royalty Fee</b> " and, together with the Fixed Royalty Fee, the " <b>Royalty Fees</b> ").	The \$350 Fixed Royalty Fee must be paid in advance on or before the 1st day of each month  The 5% weekly Variable Royalty Fee must be paid on or before the Thursday of each week following the week (Monday to Sunday) in which such Gross Revenues were earned	See Note 1
Brand Fund Fee	2% of Gross Revenues (the " <b>Brand Fund Fee</b> ")	Weekly in same manner as Variable Royalty Fee	See Note 1  Contributed to the Marketing, Design and Brand Fund.
Additional Training Fee	Currently \$0 to \$1,200 per training program, but could increase if our costs increase	Upon us providing such training	See Note 2
Transfer Application Review Fee	\$500 plus our reasonable legal and administrative costs	Upon transfer	Payable if you request to transfer less than 25% of ownership where a new owner will be involved in the operations of your Studio or will hold any voting shares in Franchisee.

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer Fee	The lesser of 5% of the sale price of your Studio or \$5,000 plus our reasonable legal and administrative costs	Upon transfer	Payable if you request to transfer 25% or more of your ownership interests.
Late Fee/Interest	The lesser of 10% per annum or the highest amount permitted by law	When payment is overdue	Payable if you do not pay any amount by the due date
Indemnification	Payment of our losses and costs	Upon occurrence of liability	You must hold harmless, indemnify and defend us and our affiliates, partners, agents and representatives and pay for any claims and losses to them resulting from the operation of your business.
Early Termination Fee	\$10,000 plus the sum of Royalty Fees and Brand Fund fees paid during the previous 12 months multiplied by the number of years remaining in the then-current term	Upon you providing us with notice of termination	If you desire to terminate early, you must give us 90 days' notice and pay this amount. See Note 3.
Liquidated Damages	The sum of Royalty Fees and Brand Fund Fees paid during the previous 12 months multiplied by the number of years remaining in the then-current term	Upon notice of termination by us	Payable if we terminate the agreement due to your default
Audit Fee	Reimbursement of all audit expenses if gross revenues have been understated by 3% or more	Upon receipt of invoice	
Renewal Fee	\$5,000	Upon renewal	

Name of Fee	Amount	Due Date	Remarks
Business Management Software Fee	\$379 per month	Monthly	We have contracted with our business management software vendor for them to provide Mariana Tek and Brandbot, as well as premium support services to our franchisees. This fee covers our administrative expenses related to the business management software and may change if our contract or vendor changes.

All fees are imposed by and are payable to us, unless otherwise noted. We may vary the frequency and method of payment. We may require you to pay fees via electronic withdrawal from your bank account. All fees are uniformly imposed and non-refundable, unless otherwise agreed upon. We will modify certain fees for franchisees who renew in 2024. In order to receive such fee modifications, all franchisees who renew in 2024 will sign the Heritage Addendum attached to this disclosure document as Exhibit F.

**Notes:**

1. The Fixed Royalty Fee is due monthly, the Variable Royalty Fee is due weekly and the Brand Fund Fee is due weekly beginning the 4th month after you open your Studio for business to the public. **“Gross Revenues”** means the total revenues derived by you from your Studio, products and services sold or dispersed, directly or indirectly, at or from your Studio or otherwise in or from the franchised business, including, without limitation, cash sales, credit sales, internet sales, and any payments under your business interruption insurance coverage, but excludes amounts for the following: sales, goods and services and similar taxes collected from customers and paid to a governmental tax authority, any customer refunds, returns, or allowances made in accordance with our policy, karma funds (amounts collected from classes offered on a donation only basis, the proceeds from which franchisees then donate to charity), authorized rental sources from secondary parties not offered in connection with the marks (e.g. rental of massage/chiropractic room); and any Permitted Side Business (defined in Item 16) authorized by us.
2. If, after opening your Studio, you want us to train additional persons from your Studio, additional training may be scheduled with us and we may charge a fee for this additional training. We may also charge a fee for additional training that we require you and your personnel to attend in the future. In addition to the additional training fee, you will be responsible for all other expenses incurred by you and your personnel during training, including the costs of meals, entertainment, lodging, travel, and wages. We may also charge a fee to cover our expenses to provide training to additional or replacement personnel.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

TYPE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
INITIAL FRANCHISE FEE	\$25,000	\$25,000	Lump Sum	At signing of Franchise Agreement	Modo
TRAINING EXPENSES (Note 1)	\$6,000	\$16,200	As incurred	As incurred	Transportation and hotel vendors
LEASE & SECURITY DEPOSITS (Note 2)	\$15,000	\$40,000	As incurred	As incurred	Lessor, contractors
LEASEHOLD IMPROVEMENTS (Note 3)	\$250,000	\$750,650	As incurred	As incurred	Suppliers
BUSINESS LICENSE & PERMIT	\$1,500	\$3,000	As incurred	As Incurred	City, State Governments
SIGNAGE	\$2,000	\$15,000	As incurred	As incurred	Suppliers
FURNITURE & FIXTURES	\$20,000	\$45,000	As incurred	As incurred	Suppliers
UTILITY DEPOSITS AND FEES (Note 4)	\$0	\$3,000	As arranged	Before opening	Utility companies
INSURANCE (Note 5)	\$2,000	\$3,000	As arranged	Before opening	Insurance agencies
GRAND OPENING	\$1,500	\$3,000	As arranged	Before opening	Vendors
TELEPHONE	\$150	\$300	As arranged	Before opening	Vendors
SOFTWARE LICENSE	\$750	\$850	As arranged	Before opening	Vendors
OPENING INVENTORY (Note 6)	\$5,000	\$11,000	As incurred	As incurred	Modo
LEGAL AND PROFESSIONAL FEES (Note 7)	\$10,000	\$25,000	As incurred	As incurred	Suppliers

TYPE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
ADDITIONAL FUNDS - 3 MONTHS (Note 8)	\$20,000	\$45,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 9)	\$358,900	\$986,000			

All figures in Item 7 are estimates only. Actual costs will vary for each franchisee depending on a number of factors, including whether your Studio will be located in a small or normal market. The amounts payable to us are nonrefundable unless otherwise noted. The refundability of other amounts depends upon your agreement with the applicable supplier or other party.

**Notes:**

1. Before you open your Studio, you (or if you are an Entity, your owners) must successfully complete our required training sessions. See Item 11 for additional information. You are responsible for the travel and living expenses of your trainees who attend training. This amount includes an estimate for the training expenses of 1 to 3 individuals. The cost of travel and living expenses will vary based on the number of trainees you have, the distance you must travel, the method of transportation you take, and the accommodations and meals you select. We do not otherwise charge a fee for providing initial training to 3 individuals associated with the Studio. As noted in Item 5, additional members of the Studio staff may participate in initial training but we may charge \$1,200 for each additional staff member.
2. You will need approximately 4,000 square feet for your Studio. This amount includes an estimate for a deposit of the first 2 months' rent and utility deposits.
3. This estimate includes amounts needed for construction, remodeling, decorating costs and any other leasehold improvements.
4. Utility companies may require that you place a deposit prior to installing telephone, gas, electricity and related utility services. A typical utility security deposit is 1 month's expense. These deposits may be refundable in accordance with the agreements made with the utility companies.
5. This estimate is for 12 months of required insurance premiums. You must maintain in full force and effect at your sole cost and expense property coverage on an "all risks" basis to the full insurable value of all of your property; Commercial General Liability Insurance with minimum limits of liability of \$1,000,000 per occurrence, and \$2,000,000 in the aggregate, including premises liability, professional liability products and completed operations, personal and advertising liability and such other limits and coverages as we periodically designate. You must also maintain in full force and effect at your sole cost and expense, workers compensation insurance (if required by law) and business interruption coverage. You may also be required to comply with all obligations under the lease for your Studio including any insurance requirements, which may require you to list the landlord or other parties as an additional named insured.
6. This estimate includes inventory of yoga apparel, equipment and accessories, including our proprietary products, for your first 90 days of operations.

7. This figure includes our estimate of the cost for you to consult with independent legal and other professional advisors.
8. These miscellaneous start-up costs are our estimate of necessary working capital. You may have additional expenses in starting the business. Your actual costs will depend on your management skill, the size of the city in which you open, experience and business acumen, your sales figures during the first 3-month period, your ability to follow our system and local market and economic conditions. We base our estimate of these expenses on the experience of our affiliate that was involved in the opening of a Studio in West Hollywood, California and information shared with us by our franchisees.
9. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how much you follow our methods and procedures, your skill, experience and business acumen, local economic conditions, the local market, the size of the city in which you open, competition, and your customers. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

We do not offer financing to franchisees for any of the above items.

## **ITEM 8**

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

Unless otherwise specified in the operations manual, you have the right to lease or purchase the fixtures and equipment for your Studio from any source, provided, however, all fixtures, furnishings, color schemes, machinery, equipment, and accessories must conform to specifications of design, color, quality, sustainability performance, and utility designated and approved by us.

You must purchase all supplies required for use in operation of your Studio only from us or our approved or designated environmental and ethical suppliers, including the reservation and scheduling system that we designate. This also includes the ongoing supplies to your Studio of yoga mats, water bottles, apparel, as well as all other items, which we may periodically specify, and all other items that bear the MODO YOGA® trademarks. Other than specific written warranties provided in connection with such items, all items purchased from us, our affiliates, or our designated suppliers are provided without any warranty.

You must conform to the specifications and quality control standards we periodically prescribe regarding supplies used by your Studio during the term of the Franchise Agreement. Any breach of our specifications and quality control standards regarding supplies will be grounds for our termination of the Franchise Agreement.

We will provide in the operations manual or otherwise in writing our specifications and quality control standards regarding supplies, and our list of designated or approved suppliers, which may be amended periodically. We may require you to purchase items from us or our approved or designated suppliers. We also may designate brand-name supplies and equipment that you must use. We will only approve a supplier if the supplier's supplies conform to our specifications and quality control standards.

If you would like to propose a new supplier, (i) you must send us a written request, (ii) the supplier must demonstrate that it can supply goods or services meeting our specifications, (iii) the supplier must demonstrate its financial soundness, the reliability of its product or service and a high regard for ethics and the environment, and (iv) if the item will bear a MODO YOGA® trademark, we may require the supplier to sign a license agreement which may include a royalty payment to us. We will have the right to request samples of any supplies from your Studio or from any supplier in order to ensure that all supplies being used in the Territory (as defined in Item 12 below) conform to our specifications and quality control standards.

We generally will notify you of our approval or disapproval of a supplier within 60 days. We may notify you that the approval of a supplier is revoked at any time. There is no fee for requesting approval of an alternative supplier or for our review and evaluation of such suppliers. Other than the considerations listed above, we do not disclose our criteria for approving suppliers.

We operate a website that uses our name and other trademarks and features our products. You are not permitted to develop or operate a website relating to your Studio without our express written permission; however, currently, you may participate in social media websites in accordance with our guidelines. If we permit you to operate a website, you must use the domain name and approved website template that we provide to you. We may restrict your ability to operate websites and participate in social media websites. We may also require you to obtain and maintain an email address from an approved service provider and in the format we specify.

You must obtain the insurance coverage required by the Franchise Agreement and our operations manual from a carrier with a Best's rating of at least A-. The required coverage currently includes worker's compensation insurance, including employer's liability, with limits as required by law, business interruption coverage and comprehensive general liability insurance, in the minimum amounts of \$1,000,000 per occurrence and \$2,000,000 in the aggregate, including premises liability, professional liability products and completed operations, personal and advertising liability and such other limits and coverage as we may periodically require. The required coverage is subject to change.

We have negotiated purchase arrangements with certain suppliers for the benefit of franchisees. Except for the possibility of allowing our franchisees to purchase goods and services at discounted prices which they might not be able to obtain on their own, we do not currently provide material benefits to franchisees based on use of designated or approved suppliers but we may do so in the future.

We may periodically designate or approve a corporation affiliated, associated or in a license relationship with us as a supplier. We will also be entitled to the direct or indirect benefit of all mark-ups, rebates, allowances and other similar receipts and advantages that we may obtain from any supplier by reason of such supplier supplying products or services. Our policy is, and the Franchise Agreement permits us, to keep these for ourselves, and we do so. We and our affiliates may also earn and retain a profit from the sale of any products or services to our franchisees. As of the date of this disclosure document, we receive compensation from suppliers on account of purchases or leases by franchisees ranging from 0% to 10% of the total purchases or leases. We received CAD\$15,184 in revenue from required purchases or leases from franchisees during the fiscal year ended October 31, 2023, which was 0.97% of our total revenues of CAD\$1,563,798.

We estimate that the required purchases and leases described in this Item will constitute approximately 30% to 40% of all purchases and leases you will incur to establish your Studio, and approximately 10% to 20% of all purchases and leases you will incur to operate your Studio.

None of our officers own interests in any supplier.

## 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.**

<u>Obligation</u>	<u>Section in Franchise Agreement</u>	<u>Disclosure Document Item</u>
a. Site selection and acquisition/lease	Sections 3(a) and (b)	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3(d), 3(e), 8(e), 9(a), 9(c), and 10	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 3(c), (d), (e), (f) and (g)	Items 7, 8 and 11
d. Initial and ongoing training	Section 7(a)	Item 11
e. Opening	Section 3(g)	Item 11
f. Fees	Sections 5(e), 6, 7(a)(iv), 7(a)(vi), 8(a), 9(q), 10, 11, 14(b)(i), 14(b)(iii)(G), 14(c), 26 and 30	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Operating Manual	Sections 3, 7(b), 8(d), 9, 10, 11, 12(b), 16(a)(vii) and 16(b)(i)	Items 8 and 11
h. Trademarks and proprietary information	Sections 1, 9(g), 12 and 18(b)	Items 13 and 14
i. Restrictions on products/services offered	Sections 9(a), (c), and (h)	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(h)	Item 11
k. Territorial development and sales quotas	Sections 2(b), 2(c), 9(y) and Exhibit A	Item 12
l. Ongoing product/service purchases	Section 9(a) and 9(c)	Item 8

<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Disclosure Document Item</u></b>
m. Maintenance, appearance and remodeling requirements	Sections 9(i), (j) and (k)	Item 11
n. Insurance	Section 10	Item 8
o. Advertising	Section 8	Items 6 and 11
p. Indemnification	Section 11	Item 6
q. Owner's participation/management/staffing	Sections 7(a)(i), 9(h), 9(y)	Item 15
r. Records/reports	Sections 6(h), 6(i), 6(j), 9(q) and 9(t)	Item 6
s. Inspections/audits	Section 9(p)	Item 6
t. Transfer	Section 14	Item 17
u. Renewal	Section 5	Item 17
v. Post-termination obligations	Section 18	Item 17
w. Non-competition covenants	Section 13	Item 17
x. Dispute resolution	Section 26	Item 17
y. Other: Personal Guaranty	Schedule C of the Agreement	Item 22

## **ITEM 10**

### **FINANCING**

We do not offer financing to you, either directly or indirectly. We do not guarantee your note, lease or other obligation.

## **ITEM 11**

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

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

#### Our Pre-Opening Obligations

Before you begin to operate your Studio, we will provide:

(1) Consultation regarding the location you propose for your Studio. We will review the location you propose for its general location, zoning, demographics, traffic flow, parking, rent, size, layout, visibility, accessibility, relationship to potential customers, competitive

environment and our desire to add a franchise in the market. You will be required to obtain and provide us with all of this information. We will consult with you about your proposed location and will approve or disapprove of your proposed location within 30 days after we receive your proposal with all required information about the location. If we do not approve of your proposed location, you must propose a new location. You must have a signed letter of intent for a lease for your Studio, at a location that we have approved, within 180 days after signing the Franchise Agreement. If you do not do so, we may terminate your Franchise Agreement and we will have the right to keep 20% of your initial franchise fee (Franchise Agreement, Section 6(a)). We may, in our sole discretion, agree to reasonable extensions of the deadline in 6-month increments, provided that you pay an extension fee request of \$250. We must approve your lease (which must contain the provisions we require) before you sign it. (Franchise Agreement, Section 3(a)).

(2) Assistance, to a reasonable extent, that we deem necessary with opening your Studio and for a short time after that. (Franchise Agreement, Section 3(g))

(3) Assistance with a grand opening marketing campaign to be conducted at your expense (Franchise Agreement, Section 8(e)).

(4) Written specifications for the furniture, fixtures, signage, facility, equipment products and inventory of your Studio. We also provide criteria for approving proposed suppliers for these items and may require that you use certain suppliers. We do not deliver or install any items. (Franchise Agreement, Sections 3(e), 3(f), 9(a), and 9(c))

(5) Instruction and training in operating your Studio and our procedures through manuals, communication and webinars as further described in this Item 11. (Franchise Agreement, Section 7(a))

### Our Obligations After Opening

During the operation of your Studio, we will:

(1) Loan you a copy of our proprietary and confidential operations manual, which is currently 236 pages. (Franchise Agreement Section 7(b)). The Table of Contents of our operations manual is attached to this disclosure document as Exhibit G.

(2) Provide specifications and quality control standards periodically regarding supplies used by you during the term of the Franchise Agreement. (Franchise Agreement, Section 9(c)(iii)).

(3) Advise and consult with you, to a reasonable extent, periodically regarding development and operation of your Studio and provide any other assistance we think might be helpful to you. (Franchise Agreement, Section 7(c))

(4) Provide additional training as described below in this Item 11. (Franchise Agreement, Section 7(a))

### Studio Opening

We anticipate that franchisees will open their Studios approximately 12 months after they sign the Franchise Agreement and pay the initial franchise fee. The factors that affect this time are

locating a satisfactory site, obtaining a lease, construction of improvements to the site, financing, obtaining building permits, zoning and local ordinances, weather conditions, shortages and any delays in installation of equipment, fixtures and signs.

### Computer System

We do not currently require you to purchase or lease electronic cash registers or computer systems. We do require that you license business management software for scheduling classes and administering a reservation system for your Studio from our designated supplier, which we may change periodically. We estimate your cost to acquire license rights to use such business management software will be \$1,000 to \$2,000, depending on the size of your Studio. You will be responsible for maintaining, repairing, upgrading and updating the software directly with the designated supplier, in accordance with our standards described in the operations manual. There are no limits or restrictions regarding the cost or frequency with which you will be required to manage the business management software. We estimate your annual cost to maintain such software to be approximately \$4,500. The estimated annual maintenance costs for the business management software or any other software that we require franchisees to license is subject to change based on amendments to our contract with any such designated software provider. If we change software providers, you may incur additional expenses.

We will have online access to your computer-based information and you must agree to continuously provide such access as well as ensure your records are accurate, complete and up-to-date. We may specify different equipment, software, computer and other systems as well as designate a different supplier from which you must purchase those items.

### Marketing, Design and Brand Fund

We have established and will administer the Brand Fund to which you must contribute. You are required to contribute 2% of Gross Revenues to the Brand Fund on a weekly basis (at the same time the 5% Variable Royalty Fee is paid).

We may elect to disseminate marketing through internet-based media (e.g., our website) and social media, television, radio and print media such as magazine, billboards, flyers, mailers and newspapers as well as local and international PR campaigns. The internet-based media coverage will be international in scope and the television, radio and print media coverage may be national, regional or local in scope, in our discretion. We may use the Brand Fund to employ an outside consultant or agency to assist in the development, production and dissemination of marketing materials. We may also use the Brand Fund to develop promotional and advertising materials for your use and to compensate our employees for work they do on advertising and promotional programs or administration of the Brand Fund. In addition, we may provide sales training or printed material to assist you in selling Modo Yoga products or merchandise. We undertake no obligation to ensure that any franchisee benefits directly or pro rata from the placement of this advertising. We have no obligation to spend any amount on advertising in your Territory (as defined in Item 12 below).

Any Brand Fund Fee may be deposited in our general operating account, commingled with our general operating funds and deemed an asset of ours. We will account separately for the Brand Fund on our books and records and will provide annual unaudited statements to franchisees upon request. Any amounts in the Brand Fund not spent during one year will carry over to the next year. No expenditures will be made from the Brand Fund to solicit new franchise sales. Contributions to the Brand Fund are not audited.

In the fiscal year ending October 31, 2023, the contributions to the Brand Fund were allocated in the following manner: 37.4% on business consulting for Studios, 18.6% on marketing consulting, 7.9% on administration, 16.3% on social media and 20% on digital. In general, any contributions not spent during one year will carry over to the next year; however in the fiscal year ending October 31, 2023, all funds were spent in the fiscal year in which they accrued.

As of the issuance date of this disclosure document, franchisees are not required to allocate any funds to a local or regional advertising cooperative, but we may require you to do so in the future.

You may use your own marketing materials to promote your Studio, however all of your marketing materials must comply with the standards in the operations manual. We may ban the use of such materials if we, acting reasonably, deem them to be inappropriate.

We operate a website that uses our name and other trademarks and features our products. We may conduct all commerce over the internet and other means of electronic communication as may in the future be developed. You are not permitted to develop or operate a website relating to your Studio without our express written permission; however, currently, you may participate in social media websites in accordance with our guidelines. If we permit you to operate a website, you must use the domain name and approved website template (which will be fully optimized and customizable) that we provide to you. Your website will display our marks and will be pre-programmed to meet our specifications and will be linked to our website.

We may develop discount programs or coupon or gift certificate programs in the future. Our current policy is to ask our franchisees to vote on whether to participate in such programs. Although such vote is not binding on us, if a majority of our franchisees vote in favor of such program, we will typically implement the program and require all franchisees to participate.

### Training

You (or if you are an Entity, your majority owner or each person comprising your majority owner group) must successfully complete Module 1 of the MODO YOGA Foundational Training (“**Foundational Training**”) and may elect to complete Module 2 of Foundational Training. If you or your owners (as applicable) elect not to complete Module 2 of Foundational Training, you must hire a Manager (as defined in Item 15) and the Manager must successfully complete Module 2 of Foundational Training.

In addition, within 365 calendar days after the date of the Franchise Agreement but at least 180 calendar days prior to opening the Studio for business, you (or, if you are an Entity, your majority owner or each person comprising the majority owner group) must successfully complete our studio owner training.

Training will be conducted online or in person at a location or locations that we designate and for a duration we determine to be necessary. Training may be comprised of online webinars that are live or pre-recorded, manuals, and other classes as required and presented by us.

You will not receive compensation or reimbursement for services or expenses for participation in training. We will not charge you for Foundational Training or studio owner training and will not charge an additional fee to train up to 3 of your employees but we may charge you a fee (currently, \$1,200 per person) to train any individuals over this limit. You will be responsible for

all of your expenses to attend the training program, including any wages, lodging, transportation and food. (Franchise Agreement Section 7(a)).

The following is an outline of Foundational Training:

<b>MODULE 1: DEEPEN YOUR PRACTICE</b>			
<b>SUBJECTS</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
- How & Why We Practice - Heart of Practice - History & Philosophy of Yoga - Mindfulness - Self Exploration	50	0	Online
<b>Totals</b>	<b>50</b>	<b>0</b>	

<b>MODULE 2: FOUNDATIONAL IN-PERSON TRAINING</b>			
<b>SUBJECTS</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
- Practice Teaching - Posture Workshop - Anatomy - Functional Anatomy - Real World Teaching	150	0	Online or in person at a location we designate
<b>Totals</b>	<b>150</b>	<b>0</b>	

The following is an outline of the studio owner training program:

<b>STUDIO OWNER TRAINING PROGRAM</b>			
<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Introduction Review of Materials Modo History Studio Business Model Business Policies and Standards Franchise Overview Trademark Usage Franchise Policies and Standards Franchise Reporting Requirements	5-16	8-16	Online

<b><u>STUDIO OWNER TRAINING PROGRAM</u></b>			
<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Opening the Business Training the Staff Organizing and Administration Marketing Conflict Resolution Working with Independent Contractors Optimizing the Use of Business Management Software Efficiency Training Leadership Training			
<b>Totals</b>	<b>5-16</b>	<b>8-16</b>	

Currently, training classes are conducted on-line through our interactive webinars and video presentation database. If the next scheduled live online training classes will not occur within the timeframe that you are required to complete initial training, then you must watch the pre-recorded training videos that we will make available to you. If you complete initial training through watching pre-recorded training videos, you may also choose to attend the next scheduled live online training classes. Training classes are designed to cater to the individual needs and experiences of our franchisees. “On the job training” as noted in the above table refers to the time that you will need to spend reviewing training materials and practicing using systems such as the designated business management software.

Instructional materials provided include loaning you a copy of our operations manual and other operational materials.

Emily Drouillard, our Chief Executive Officer, currently oversees our training program. She has been with us since January 2021 and has been in the yoga industry for 13 years.

In addition to the initial training described above, we may require you and your personnel to attend the training again before renewing the Franchise Agreement. You must attend and successfully complete, and cause those employees that we designate to attend and successfully complete, any additional training or retraining programs as we may specify. Every year, you or at least 1 of your owners must attend our annual general meeting for franchisees (“AGM”) unless you meet certain exceptions as outlined in the operations manual or we do not conduct one. If you or at least 1 of your owners is unable to attend the AGM, you must watch the recordings of all sessions of the AGM within a reasonable time period after the AGM concludes. The AGM is hosted at a location of our choice within the United States or Canada. Currently, all of your directors and officers are required to take the “Flow” and at least 2 Modo Yoga teacher training courses. If any of your directors or officers has not yet completed those 3 teacher training courses, they must finish doing so within 4 years of your Studio opening for business (or such longer time if any of your officers or directors reasonably requires additional time to complete those courses). We may charge reasonable tuition and material fees for such training or retraining programs or the AGM. You will be responsible for all other expenses

incurred in training, including the costs of meals, entertainment, lodging travel, and wages for you and your employees.

## ITEM 12

### TERRITORY

Designation of Territory. You will receive the right to operate a Studio at a location and within a specified territory to be approved by us (the “**Territory**”). You will receive a Territory with a radius depending on the density of the population in the area, as described in this table:

Population in the Area	Territory Radius
0-150,000	7.45 miles
150,000-300,000	6.21 miles
300,000-500,000	4.97 miles
500,000-700,000	3.72 miles
700,000+	3.10 miles

If your Studio is located in an area with a low population density, the Territory radius might be larger as determined by us on a case-by-case basis, in our sole judgment. Conversely, if your Studio is located in an area with a high population density, the Territory radius might be smaller as determined by us on a case-by-case basis, in our sole judgment.

Protected Territorial Rights. During the term of your Franchise Agreement, we will not operate a Studio in your Territory and we will not permit third parties to do so. If you continue to operate your Studio after your Franchise Agreement expires without renewal then, upon our written notice to you, your Territory will no longer be applicable and we will have the right to own, operate, or franchise another Studio within your former Territory. Except as otherwise disclosed in this disclosure document, the continuation of your Territory rights does not depend on you achieving a specific level of sales, market penetration, or other condition nor will we alter your Territory rights.

Other than our agreement not to open and operate or grant others a right to open and operate a Studio in your Territory, you will not receive any exclusive rights with respect to your Territory. 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.

We reserve all rights that we do not grant to you. For example, we may use our name MODO YOGA® to solicit or accept orders from consumers inside your Territory without compensation to you for doing so, to promote Studios, to sell Modo Yoga products and other products using other channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing, and to market goods and services that are the same as or similar to those that you offer under the Modo Yoga trademarks or other marks. We have not adopted any policies that would limit any of those rights. You have no rights to do any of the previously listed activities unless you are specifically permitted to do so under the Franchise Agreement.

As of the issuance date of this disclosure document, we do not intend to establish other franchises or company-owned outlets to sell similar products or services under a different trademark, but we may do so.

You have the right to serve students who live and/or work outside of your Territory but you do not have the right to directly solicit any students located outside of your Territory, including without limitation through the internet, social media websites, catalog sales, flyers, advertisements, telemarketing or other direct marketing channels.

Your rights to the Territory are not dependent on achieving a certain sales volume but if you are not in compliance with your Franchise Agreement we may have the right to operate or grant another person the right to operate in your Territory.

Relocation and Other Rights. You may not relocate your Studio or establish additional yoga studios without our written approval. In general, the factors that we may consider in deciding whether to approve your relocation request are demographic changes with respect to the location of your Studio and the performance of your Studio. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises or territories. Upon transfer of your franchise or any subsequent renewal of your Franchise Agreement, we may ask you or the transferee to sign our then-current form of franchise agreement which may include different fees and a different Territory. If we change or reduce the size of the Territory, we will do so acting reasonably and in good faith with consideration of relevant factors, including current market analyses.

### ITEM 13

#### TRADEMARKS

We will grant you the right to conduct business as a yoga studio under the name MODO YOGA®, a design logo using the same words as seen on the cover page to this disclosure document, and related trademarks. You must use the name MODO YOGA® only in conjunction with the name of your Territory (other than on any signage at your Studio in which case you must use the name MODO YOGA® alone). For example, if your territory is Seattle, Washington, you must market your Studio as Modo Yoga Seattle.

You must also use other trademarks which we or our affiliate develop or we prescribe to identify your Studio and its services and products. By trademark, we mean trade names, trademarks, service marks and logos used to identify your Studio, its services and its products.

We have registered the following marks with the United States Patent and Trademark Office with the Principal Register of the United States Patent and Trademark Office (“USPTO”) and have filed all required affidavits with respect to each of the Marks:

Mark	Registration No.	Registration Date
MODO YOGA	4,581,106	August 5, 2014
CALM. FIT. INSPIRED.	5,945,265	December 24, 2019
	4,513,546	April 15, 2014

Mark	Registration No.	Registration Date
	5,962,484	January 14, 2020

You must follow our rules when you use these trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized by us in writing. You may not use, register, or obtain registration for any internet domain name, address, or other designation that contains our trademarks or any confusingly similar trademark.

We may modify or change the marks that you use in the operation of your Studio at any time during the term of your Franchise Agreement. This includes changing the Modo Yoga® mark. You will be responsible for all costs and expenses associated with modifying or changing the marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by your Franchise Agreement and if you are in good standing. You must assist us in protecting any of our rights, at our expense.

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so. We have the right to control any administrative proceeding or litigation involving our trademarks. If we decide to add a new trademark, or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense.

We do not know of any infringing uses that could materially affect your use of our trademarks.

#### **ITEM 14**

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

The Studios do not involve patents, and we do not own any patents or patent applications.

We claim common law copyrights in the operations manual, although we have not filed for copyright registration.

You must notify us immediately when you learn about a challenge to your use of our copyrighted materials. We will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement and if you are in good standing. You must assist us in protecting any of our rights, at our expense.

If you learn about a third party's use of these copyrighted materials that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so. We have

the right to control any litigation involving its copyrighted materials. If we decide to add, modify or discontinue the use of anything covered by a copyright, you must also do so at your expense.

You must operate your Studio in accordance with our confidential and proprietary operations manual. You must treat the information contained in the operations manual and any other supplemental material supplied by us as confidential. The operations manual is our property and you may not copy, disclose or disseminate the contents of the operations manual at any time without our prior written consent. We may modify or supplement the operations manual. You must keep the operations manual current at all times, and you must return the operations manual to us upon the termination or non-renewal of your license.

You may not at any time copy any part of these materials, disclose any information contained in them to others or permit others access to them. We may periodically modify the operations manual to reflect changes in the system. All modifications to the operations manual will be binding on you upon being mailed or delivered to you.

We do not know of any infringing uses that could materially affect your use of its copyrighted materials.

You also receive the right to use certain of our trade secrets and confidential information including Modo Yoga systems and customer information.

## ITEM 15

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

You must participate in the operation and management of your Studio (personally through the Primary Person(s) (as defined below) or through a full-time manager employed by you who has completed all training requirements at your sole cost to our satisfaction (the “**Manager**”)) and you must diligently devote your best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. At least one of the principals, shareholders, or partners, as applicable, must be designated by you as the “**Primary Person**”, although you may designate more than one Primary Person. The Primary Person(s) will be active in the day-to-day operations of your Studio and must either (a) hold at least 51% of the outstanding voting shares or interest in you or (b) be one of the individuals belonging to the “majority owner group” (*i.e.*, a group of individuals that collectively own at least 51% of the outstanding voting shares or interest in you). The Primary Person(s) must manage your Studio during the first year of operation, after which your Studio may be operated by a Manager.

If at any time we determine in our sole judgment that the Manager is failing to adequately comply with the Modo Yoga system requirements, we can require on 30 days’ notice that you or some other individual acceptable to us take over the full-time operations of your Studio.

You must give us the Manager’s name and contact information in a timely manner, and he or she must complete Foundational Training and/or studio owner training to our satisfaction, if required by us, and (if applicable) you must pay an additional training fee.

The Manager, and any other persons that we designate who are affiliated or employed by you, must sign a confidentiality and non-competition agreement in a form we approve. The Manager need not own an equity interest in you or your Studio.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those goods and services that we have approved. You may not operate any business or conduct any activity other than the Modo Yoga franchised business from your Studio location, unless you receive our prior written consent for such additional business or activity (a “**Permitted Side Business**”). We may withhold our consent in our sole judgment, acting reasonably.

You must offer all goods and services that we designate as required in the operations manual unless we otherwise agree in writing. It is important that the Modo Yoga program is consistent and incorporates the same elements wherever it is offered. This benefits all of our franchisees. We welcome the suggestion of new products/wholesale distributors for products and may or may not include these suggestions in our shared product lists.

We may stipulate minimum or maximum prices for any products or services sold at your Studio to the extent permitted by applicable law. Periodically, as part of our advertising and promotional activities, we may institute discount programs and issue coupons. You will accept such coupons from customers and redeem them in accordance with our policies then in effect and participate in such discount programs. However, such programs will in no way affect your right to establish your own prices subject to our right to stipulate minimum or maximum prices.

We may add new services or products and change the types of authorized products or services that you offer from your Studio and there are no limits on our ability to make these changes. Our intent is to align all Modo Yoga services and products with the goal of improving environmental and ethical standards and enhancing business and product quality for franchisees and their students.

As described in Item 12, you have the right to serve students who live and/or work outside of your Territory, but you do not have the right to directly solicit any students located outside of your Territory, including without limitation through the internet, social media websites, catalog sales, flyers, advertisements, telemarketing or other direct marketing channels.

During the term of the Franchise Agreement, you and your owners are not allowed to offer or host any form of yoga teacher training or fitness teacher training, nor participate as a teacher in any yoga teacher training or fitness teacher training, at any location (including at your Studio). However, if we consent in our sole discretion, you (if you are an individual) and your owners (if you are an Entity) may teach a yoga or fitness class as long as those classes (i) are not teacher training classes, (ii) are held at studios that are not Studios and that are located outside of any existing Studio’s territory (including your Territory), and (iii) do not interfere with your obligations under the Franchise Agreement.

You may not conduct any activities in association with our trademarks that are not expressly permitted under the Franchise Agreement. For example, you may not offer online yoga or fitness classes or tutorials using our trademarks.

**ITEM 17**

**RENEWAL, TERMINATION,  
TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 4	5 years (unless you are acquiring an existing Studio, in which case the term will be the shorter of the remaining term of the transferor's franchise agreement and the remaining term of the existing lease (including options)).
b. Renewal or extension of the term	Section 5	If you meet certain conditions, you can enter into the then-current renewal franchise agreement for one successive additional term of 5 years.
c. Requirements for franchisee to renew or extend	Section 5	You must give us written notice of your intention to renew at least 6 months (but not more than 9 months) prior to the expiration of the then-current term; you must not be in default at the time notice to renew is given and at the time of renewal; you must fulfill all your monetary obligations to us and our affiliates prior to renewal; you and any guarantors of the Franchise Agreement must sign a general release (to the extent permissible under applicable laws); you must pay a renewal fee of \$5,000 plus all applicable taxes; you must furnish us with a valid lease applicable to the renewal term; you must remodel and update your business premises in accordance with our then-current standards; you must sign our then-current form of franchise agreement, which may contain materially different terms and conditions than your original contract; you must not have received 3 or more default notices in any 24-month period during the current term; you and your employees must complete any additional training as we may specify; and you must meet our requirements for new franchisees.
d. Termination by franchisee	Sections 3(a), 4(b), and 17	<p>You may terminate the Franchise Agreement upon notice to us if you fail to sign a lease for your Studio within 180 days following signing of the Franchise Agreement.</p> <p>You may also terminate the Franchise Agreement upon giving us 90 days' prior written notice, executing a general release in favor of us (excluding claims under applicable franchise laws and common law claims incorporated thereunder) and complying with all post-termination provisions contained in the Franchise Agreement. You must not be in default at the time you provide notice of termination to us and on the termination date. If you terminate the Franchise Agreement early, you must also pay an early termination fee.</p>
e. Termination by franchisor without cause	None	Not Applicable

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
f. Termination by franchisor with cause	Section 17	We can terminate if you default or if the events described in (g) or (h) below occur.
g. "Cause" defined-curable defaults	Section 17(b)	You have 5 days to cure non-payment and up to 14 days for other types of noncompliance. You must cease any misuse of our trademarks or other conduct that materially damages the Modo Yoga brand within 24 hours after we notify you. You must take down and delete any social media posts within 2 hours after we notify you that such content might damage the Modo Yoga brand.
h. "Cause" defined-non-curable defaults	Section 17(a)	Noncurable defaults: failure to successfully complete initial training; failure to sign a lease within 180 days of signing Franchise Agreement; bankruptcy or insolvency; abandonment; your material misrepresentation to us; conviction of an indictable offence or other criminal misconduct; conduct which reflects unfavorably on us or the Modo Yoga system; unauthorized Transfer; termination of any other agreement with us or our affiliate due to your breach; unauthorized use of our marks or use or disclosure of confidential information; repeated failure to comply with Franchise Agreement requirements; seizure by government official or lien holder; failure to comply with laws; intentional failure to report money collected; failure to transmit to us any health department report; final judgment of more than \$5,000 remaining unsatisfied for 30 days; danger to public health or safety; failure to complete transfer in the event of death or disability; order made or resolution passed to wind up, dissolve or liquidate Franchisee; you lose the rights to your Studio location; default under any agreement between you or your affiliates and us or our affiliates; 5 or more material unresolved complaints from your customers, employees, or independent contractors in a 12-month period; designated as a blocked person.
i. Franchisee's obligations on termination/non-renewal	Sections 18(a)-(c)	Pay all amounts due to us; discontinue use of trademarks, and our system; de-identify; return or destroy all inventory with our trademarks; return our operations manual and other confidential information; assist in smooth transition of business; refrain from soliciting customers or personnel; refrain from making disparaging remarks; re-assign to Modo telephone and facsimile numbers and e-mail addresses; cancel fictitious business name statement; comply with all other requirements in the operations manual; comply with non-compete covenants (also see r below); pay our fees (including legal fees) incurred to enforce any provision of the Franchise Agreement against you; cooperate with our purchase of your Studio assets (if we exercise such option) (also see j below); and pay all Royalty Fees and Brand Fund Fees for the balance of the term remaining at the time of termination (payments for the remainder of the term are equal to the Royalty Fees and Brand Fund Fees that were payable over the previous 12 months multiplied by the number of years remaining in the term).
j. Assignment of contract by franchisor	Section 14(a)	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 14(b)(ii)	Includes transfer of Franchise Agreement, assets of MODO YOGA business or any ownership interest in you (if you are an Entity).

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Section 14(b)(i)	You must obtain our consent to all transfers except where you assign the Franchise Agreement to a wholly-owned corporation on prior notice to us, provided that you execute documents we require including an assumption agreement and personal guarantee, assign the lease for your Studio, and reimburse us for any expenses we incur in preparing related documents.
m. Conditions for franchisor approval of transfer	Section 14(b)(iii)	You must be in good standing; all obligations including monies owed to us, our affiliates, or any suppliers have been satisfied or paid; the premises must meet our then-current standards (or we may ask the proposed transferee to renovate your Studio); your lessor consents; transferee meets qualifications for new franchisees; the transferee (and all of its owners) must sign the then-current form of Franchise Agreement and guarantee; the transferee must successfully complete initial training; you pay our legal and administrative costs (if any); you pay us a transfer fee equal to the lesser of 5% of the purchase price and \$5,000 (unless the transfer is to a wholly-owned corporation, a Survivor as defined in the Franchise Agreement, or would result in a change of ownership that is less than 25%); you and each owner must sign a general release; transferee's obligations to you are subrogated to obligations to us; you must transfer all of your agreements with us. For transfers involving a change in ownership of less than 25% and where either (a) a new shareholder will be involved in your Studio operations or (b) a new shareholder is transferred or issued voting shares, an application for the transfer will be required and a fee of \$500 will need to be submitted for us to review the application. If you want to transfer your franchise to an entity, you must own the entity, sign a personal guarantee, and provide and/or sign any other documents we deem necessary or advisable, the entity must agree to the Franchise Agreement (you remain responsible as well) and the franchise business must be the sole business of the entity.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14(c)	We may match any offer for your Studio provided that you are selling your Studio to a purchaser that is not a current franchisee of ours or where less than 51% of the purchaser is owned by current franchisees of ours ( <i>i.e.</i> , the company is controlled by a third party or third parties outside of the Modo Yoga system).
o. Franchisor's option to purchase franchisee's business	Section 18(b)	We have the option of acquiring your assets if the Franchise Agreement expires or terminates.
p. Death or disability of franchisee	Section 15	If you or the owner dies or is disabled in a manner that prohibits operating of your Studio, then within 90 days of such death or disability your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the Franchise Agreement to a third party we approve. If your executor or representative has not transferred the Franchise Agreement within 60 days of such death or disability, then we will operate your Studio for as long as we deem necessary and practicable without waiver of any other rights or remedies we may have under this Agreement with all proceeds from the operation of your Studio going to us.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	Section 13(a)	You and any owners may not be involved in any business involving a yoga or fitness studio offering the same or similar services to Modo Yoga franchises, or which business otherwise offers yoga or other fitness instruction that competes with Modo Yoga franchises, or which offers training or instruction to yoga or fitness instructors (a <b>"Competing Business"</b> ).
r. Non-competition covenants after the franchise is terminated or expires	Section 13(b)	You and your owners may not operate a Competing Business for 1 year within 10 miles of any Studio that is operating or under development or your former Studio location, except where other exceptions apply.
s. Modification of the agreement	Section 29	No modification without a writing signed by you and us, except that we may amend the operations manual.
t. Integration/merger clause	Section 28	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises are unenforceable. Nothing in the Franchise Agreement is intended to disclaim anything contained in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 26	Except for certain claims, subject to state law, all disputes must be mediated and if not resolved, arbitrated.
v. Choice of forum	Section 26	Subject to state law, Los Angeles, California
w. Choice of law	Section 25	Delaware law applies, subject to the Lanham Act.

## ITEM 18

### PUBLIC FIGURES

We do not use any public figures 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 this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Studios. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Studio, however, we may provide you with the actual records of that Studio. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting New Studios Coordinator at 980 Alder Street, Campbell River, British Columbia, V9W 2P9 Canada,

[newstudios@modoyoga.com](mailto:newstudios@modoyoga.com) and (866) 966-9642, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021 to 2023**

Studio Type	Year	Studios At The Start Of The Year	Studios At The End Of The Year	Net Change
Franchised	2021	13	12	-1
	2022	12	10	-2
	2023	10	9	-1
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	13	12	-1
	2022	12	10	-2
	2023	10	9	-1

**Table No. 2  
Transfers of Studios  
from Franchisees to New Owner (other than the Franchisor)  
For Years 2021 to 2023**

State	Year	Number Of Transfers
TOTALS	2021	0
	2022	0
	2023	0

**Table No. 3  
Status of Franchised Studios  
For Years 2021 to 2023**

State	Year	Outlets at start of year	Outlets opened	Termination	Non-renewals	Reacquired by franchisor	Ceased operations- other reasons	Outlets at end of the year
California	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	10	0	0	0	3
Florida	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at start of year	Outlets opened	Termination	Non-renewals	Reacquired by franchisor	Ceased operations-other reasons	Outlets at end of the year
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
New York	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Ohio	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oregon	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
TOTAL	2021	13	0	0	0	0	1	12
	2022	12	0	1	0	0	1	10
	2023	10	0	1	0	0	0	9

**Table No. 4  
Status of Company-Owned Studios  
For Years 2021 to 2023**

State	Year	Studios at start of year	Studios opened	Studios Reacquired From Franchisee	Studios Closed	Studios Sold To Franchisee	Studios at end of the year
TOTAL	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table No. 5  
Projected Openings  
As of October 31, 2023  
For Year Ending October 31, 2024**

State	Franchise Agreements Signed But Studios Not Open	Projected New Franchised Studios In Next Fiscal Year	Projected New Company-Owned Studios In Next Fiscal Year
Florida	0	1	0
Illinois	0	1	0
New York	0	1	0
Ohio	0	1	0
<b>TOTAL</b>	0	4	0

Exhibit C shows the name, address, and telephone number of the franchised Studios as of October 31, 2023, as well as the name, address and telephone number of franchisees who have signed a Franchise Agreement but have not opened their Studio.

Exhibit C also shows, at the end of our most recent fiscal year, the name, last-known business or home city and state and business or home telephone number of the franchisees whose franchise was terminated, canceled, or not renewed; who voluntarily or involuntarily ceased to do business under a Franchise Agreement during the applicable fiscal year (including franchisees who transferred their franchise and franchisees who never opened their franchises); or those franchises who did not communicate with us within 10 weeks of the date of this disclosure document.

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

During the last 3 years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisees in our system.

We are unaware of any trademark specific franchisee organizations associated with our franchise system that has either been created, sponsored, or endorsed by us, or is incorporated or otherwise organized under state law and asks us to be included in our disclosure document during the next fiscal year.

## ITEM 21

### FINANCIAL STATEMENTS

Attached as Exhibit D to this disclosure document are our audited financial statements dated as of the end of our fiscal year 2023, 2022, and 2021 and our unaudited financial statements as of and for the period ending January 31, 2024. Our fiscal year ends October 31.

## **ITEM 22**

### **CONTRACTS**

Attached are copies of the following agreements:

Exhibit E: Franchise Agreement and Addendum, if applicable

Schedule C to the Franchise Agreement: Guaranty and Assumption of Franchisee's Obligations

Exhibit F: Heritage Addendum

Exhibit I: Compliance Questionnaire

## **ITEM 23**

### **RECEIPT**

Attached to the end of this disclosure document, following the Exhibits, is a receipt. Please sign it, date it the date you receive the disclosure document, and return it to us. A duplicate of the receipt is attached for your records.

## **EXHIBIT A**

### **LIST OF STATE FRANCHISE ADMINISTRATORS**

#### **CALIFORNIA**

Commissioner of Department of Financial  
Protection and Innovation  
Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(213) 576-7500

#### **FLORIDA**

Department of Agriculture and Consumer Services  
Division of Consumer Services  
Mayo Building, Second Floor  
Tallahassee, Florida 32399-0800  
(850) 922-2770

#### **ILLINOIS**

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

#### **MARYLAND**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-7042

#### **MINNESOTA**

Minnesota Department of Commerce  
Securities Unit  
85 7<sup>th</sup> Place, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

#### **NEW YORK**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8236

#### **CONNECTICUT**

Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103  
(860) 240-8233

#### **HAWAII**

Hawaii Securities Commissioner  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

#### **INDIANA**

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

#### **MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

#### **NEBRASKA**

Department of Banking and Finance  
Commerce Court  
1230 "O" Street, Suite 400  
PO Box 95006  
Lincoln, NE 68509-5006  
(402) 471-3445

#### **NORTH DAKOTA**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**OREGON**

Department of Consumer and Business Services  
Division of Finance  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4140

**SOUTH DAKOTA**

Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S. Euclid Avenue, Suite 104  
Pierre, South Dakota 57501-3185  
(605) 773-3563

**UTAH**

Director, Division of Consumer Protection  
Utah Department of Commerce  
160 East 300 South  
P.O. Box 146704  
Salt Lake City, Utah 84114-6704  
(801) 530-6601

**WASHINGTON**

Securities Division  
Department of Financial Institutions  
150 Israel Road  
Tumwater, Washington 98501  
(362) 902-8760

**RHODE ISLAND**

Director of Business Regulations  
State of Rhode Island  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910  
(401) 277-3048

**TEXAS**

Secretary of State  
Statutory Document Section  
P.O. Box 12887  
Austin, Texas 78711  
(512) 475-1769

**VIRGINIA**

State Corporation Commission  
1300 East Main Street, Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

**WISCONSIN**

Administrator, Wisconsin Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-2139

**EXHIBIT B**  
**LIST OF AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

Commissioner of Department of Financial Protection and Innovation  
Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013

**HAWAII**

Hawaii Securities Commissioner  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

**INDIANA**

Indiana Secretary of State  
302 West Washington Street  
Room E-111  
Indianapolis, Indiana 46204

**MICHIGAN**

Michigan Department of Commerce  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, Michigan 48910

**NEW YORK**

Secretary of State of New York  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, NY 12231-0001

**OREGON**

Director  
Department of Insurance and Finance  
700 Summer Street, N.E.  
Suite 120  
Salem, Oregon 97310

**SOUTH DAKOTA**

Assistant Director, Securities Regulation  
Division of Insurance  
Department of Labor and Regulation  
124 S. Euclid Avenue, Suite 104  
Pierre, South Dakota 57501-3185

**WASHINGTON**

Director of the Securities Division  
Department of Financial Institutions  
State of Washington  
150 Israel Road  
Tumwater, Washington 98501

**ILLINOIS**

Attorney General of the State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

**MARYLAND**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

**MINNESOTA**

Minnesota Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place, Suite 280  
St. Paul, Minnesota 55101

**NORTH DAKOTA**

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, North Dakota 58505-0510

**RHODE ISLAND**

Director of Department of Business Regulation  
Department of Business Regulation  
Securities Division  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910

**VIRGINIA**

Clerk of the State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219

**WISCONSIN**

Wisconsin Commissioner of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

**EXHIBIT C**

**LIST OF CURRENT AND FORMER FRANCHISEES  
(as of October 31, 2023)**

**Current Franchisees**

<b>Name of Entity</b>	<b>Mailing Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>E-mail</b>	<b>Phone</b>
Modo Yoga LA Inc.	340 S. La Brea Avenue	Los Angeles	CA	90036	deena@modoyogala.com, emily@modoyogala.com, jess@modoyoga.com	888-663-6523
Modo Yoga LA East and Ocean General LLC	1755 Glendale Boulevard	Los Angeles	CA	90026	deena@modoyoga la.com, emily@modoyogala.com	888-663-6523
Department of Hot Yoga and Sweaty Affairs, LLC	3091 Clairemont Drive, San Diego CA. 92117	San Diego	CA	92117	frenny@modoyogasandiego.com, andrew@modoyogasandiego.com	619-684-5509
Miami Beach Yoga, LLC	2014-1935 West Avenue	Miami Beach	FL	33139	cleo@modoyogamiami.com	305-767-6739
Moksha Yoga Minneapolis LLC	3525 West Lake Street	Minneapolis	MN	55416	phil@modoyogam inneapolis.com, ryann@modoyogaminneapolis.com	612-920-3004
MYYNYC Partners LLC	109 Metropolitan Avenue	Brooklyn	NY	11249	guillaume@modoyoganyc.com rebecca@modoyoganyc.com sarah@modoyoganyc.com	347-889-7248
MYYNYC Partners LLC	434 6th Avenue, 2nd Floor	New York	NY	10011	guillaume@modoyoganyc.com rebecca@modoyoganyc.com sarah@modoyoganyc.com	212-780-9642
CDUYOGA1 LLC	1042 Dublin Road	Columbus	OH	43215	chad@modoyogacolumbus.com	614-817-1955
Modo Yoga Portland LP	400 South East Grand Avenue	Portland	OR	97214	amber@modoyoga portland.com, jen@modoyogaportland.com	503-206-5667

**Franchisees Who Left the System During Our 2023 Fiscal Year**

<b>Name of Entity</b>	<b>Mailing Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Modo Yoga LA East and Ocean General LLC	2570 Lincoln Boulevard.	Venice	CA	90291	310-351-8434

**EXHIBIT D**

**FINANCIAL STATEMENTS**

[See Attached]

**MODO YOGA INTERNATIONAL INC.**

**Financial Statements**  
**October 31, 2023**  
**(In Canadian dollars)**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MODO YOGA INTERNATIONAL INC.

#### *Opinion*

We have audited the financial statements of Modo Yoga International Inc. (the "Company"), which comprise:

- ♦ the balance sheet as at October 31, 2023;
- ♦ the statement of operations and comprehensive loss for the year then ended;
- ♦ the statement of capital stock and deficit for the year then ended;
- ♦ the statement of cash flows for the year then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and Canadian accounting standards for private enterprises.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in United States of America and Canada. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United States of America and Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### VANCOUVER

1700-475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

#### 1 LANGLEY

600-19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

#### NANAIMO

201-1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with generally accepted auditing standards in the United States of America and Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
March 1, 2024

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**MODO YOGA INTERNATIONAL INC.****Balance Sheet****October 31****(In Canadian dollars)**

	<b>2023</b>	<b>2022</b>
<b>Assets (note 12)</b>		
<b>Current</b>		
Cash	\$ 33,576	\$ 24,566
Accounts receivable, net (note 4)	54,125	124,060
Prepaid expenses	16,951	41,235
	104,652	189,861
<b>Property and equipment (note 5)</b>	<b>5,026</b>	<b>7,940</b>
	\$ 109,678	\$ 197,801
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (note 12)	\$ 100,000	\$ 66,124
Accounts payable and accrued liabilities (notes 6 and 11)	150,883	185,720
Deferred income	151,372	123,220
Current portion of Canada Emergency Business Account loan (note 8)	55,000	-
Current portion of loan payable (note 9)	35,000	57,500
Due to shareholders (note 7)	-	23,573
Goods and services tax	20,803	16,042
	513,058	472,179
<b>Canada Emergency Business Account loan (note 8)</b>	<b>-</b>	<b>60,000</b>
<b>Loan payable (note 9)</b>	<b>-</b>	<b>25,000</b>
<b>Redeemable preferred shares (note 10)</b>	<b>410,000</b>	<b>410,000</b>
	923,058	967,179
<b>Capital stock and deficit</b>		
<b>Capital stock (note 10)</b>	<b>2,628</b>	<b>2,628</b>
<b>Deficit</b>	<b>(816,008)</b>	<b>(772,006)</b>
	(813,380)	(769,378)
	\$ 109,678	\$ 197,801

Approved by the Board

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See notes to financial statements

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Operations and Comprehensive Loss**  
**Year Ended October 31**  
**(In Canadian dollars)**

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Studio and franchise fees	\$ 911,306	\$ 809,115
Teacher training	306,482	489,722
Online services	244,393	342,384
Retail sales	72,456	70,539
Other	29,161	15,389
	<b>1,563,798</b>	<b>1,727,149</b>
<b>Cost of Sales</b>		
Website	117,512	129,373
Teacher costs	108,074	76,095
Rent	21,498	73,239
Cost of goods sold	19,044	26,641
Production	17,862	25,650
	<b>283,990</b>	<b>330,998</b>
<b>Expenses</b>		
Salaries and benefits	688,067	737,414
Professional fees	241,524	338,749
Management fees (note 11)	117,794	240,000
Office and general	110,828	98,111
Bank charges	76,955	59,372
Travel and accommodation	55,882	115,764
Advertising and promotion	19,524	29,924
Interest on loan payable (note 9)	3,463	2,325
Bad debts	221	14,369
Amortization	2,914	5,783
	<b>1,317,172</b>	<b>1,641,811</b>
<b>Loss before other item</b>	<b>(37,364)</b>	<b>(245,660)</b>
Loss on foreign exchange	6,638	23,776
<b>Net and comprehensive loss for year</b>	<b>\$ (44,002)</b>	<b>\$ (269,436)</b>

See notes to financial statements

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Capital Stock and Deficit**  
**Year Ended October 31**  
**(In Canadian dollars)**

	Number of shares	Capital stock	Deficit	Total deficit
Balance, October 31, 2021	2,410	\$ 2,628	\$ (502,570)	\$ (499,942)
Net loss and comprehensive loss for year	-	-	(269,436)	(269,436)
Balance, October 31, 2022	2,410	2,628	(772,006)	(769,378)
Net loss and comprehensive loss for year	-	-	(44,002)	(44,002)
Balance, October 31, 2023	2,410	\$ 2,628	\$ (816,008)	\$ (813,380)

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Cash Flows**  
**Year Ended October 31**  
**(In Canadian dollars)**

	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Net and comprehensive loss	\$ (44,002)	\$ (269,436)
Items not involving cash		
Amortization	2,914	5,783
Bad debts	221	14,369
	<b>(40,867)</b>	<b>(249,284)</b>
Changes in non-cash working capital		
Accounts receivable	69,714	(39,289)
Prepaid expenses	24,284	(12,885)
Accounts payable and accrued liabilities	(34,837)	20,634
Deferred income	28,152	15,842
Goods and services tax	4,761	8,068
	<b>92,074</b>	<b>(7,630)</b>
Cash provided by (used in) operating activities	<b>51,207</b>	<b>(256,914)</b>
<b>Investing activities</b>		
Advances to shareholder	(23,573)	(16,427)
Purchase of property and equipment	-	(1,583)
Cash used in investing activities	<b>(23,573)</b>	<b>(18,010)</b>
<b>Financing activities</b>		
Bank indebtedness	33,876	66,094
Repayment of loan payable	(47,500)	(37,500)
Repayment of Canada Emergency Business Account loan	(5,000)	-
Cash provided by (used in) financing activities	<b>(18,624)</b>	<b>28,594</b>
<b>Inflow (outflow) of cash</b>	<b>9,010</b>	<b>(246,330)</b>
<b>Cash, beginning of year</b>	<b>24,566</b>	<b>270,896</b>
<b>Cash, end of year</b>	<b>\$ 33,576</b>	<b>\$ 24,566</b>

See notes to financial statements

# **MODO YOGA INTERNATIONAL INC.**

## **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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### **1. OPERATIONS**

Modo Yoga International Inc. (the "Company" or "Modo") was incorporated under the Business Corporations Act of British Columbia on September 25, 2012. The Company holds franchise rights for specific yoga systems and operations in the United States, France, and Canada. The principal business of the Company is to provide yoga teacher training, administer online yoga classes, and hold franchise rights for specific yoga studios.

The head office, principal address, and registered and records office of the Company are located at 301 Epron Road, Salt Spring Island, British Columbia, Canada, V8K 1C7.

### **2. BASIS OF PRESENTATION**

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and Canadian accounting standards for private enterprises ("ASPE"), and are presented in Canadian dollars ("CAD"), the Company's functional currency.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company were prepared in accordance with the following significant accounting policies:

#### **(a) Financial instruments**

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost and has not designated any financial asset or liability as measured at fair value.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities.

#### **(b) Property and equipment**

Property and equipment are recorded at cost less amortization and impairment losses. Amortization is recorded over their useful lives using the declining-balance method and the following annual rates:

Equipment	- 20%
Computers	- 55%

The Company conducts a review for the impairment of long-lived assets whenever changes in circumstance indicate that the carrying amount of an asset may not be recoverable. If an asset is considered to be impaired, it is written down to its estimated fair value. The Company recorded no impairment of long lived assets during the year ended October 31, 2023.

**MODO YOGA INTERNATIONAL INC.**  
**Notes to Financial Statements**  
**Year Ended October 31, 2023**  
**(In Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(c) Revenue recognition

The Company grants franchise licenses to independent operators for yoga studios. The Company uses the practical expedient where revenue for the initial franchise fee is recognized upon the completion of the contract with the franchisee, as all contractual obligations and commitments are complete at that time.

The Company earns and collects monthly fee revenue from their studios. Revenues from these fees, as stated in the franchise fee agreements, are recognized on a monthly basis once collection is reasonably assured. Revenues are shown net of foreign withholding tax.

The Company performs teacher training and revenues are recognized when services are performed and collection is reasonably assured. Amounts for teacher training received in advance are recorded as deferred income until the training is completed.

Retail sales, commission income, annual general meeting revenue, interstudio passes, mindbody fees, Mariana Tek fees, BrandBot fees, and miscellaneous income are recorded on the completion of the transaction once collection is reasonably assured.

The Company operates online services and collects recurring subscription revenue via service providers. Revenue is recognized when the online services are delivered.

(d) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date; and
- ii. Revenues and expenditures, at the rate of exchange prevailing at the time of the transaction.

Gains and losses arising from the translation of foreign currency are included in net income for the year.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(e) Income taxes

Deferred income taxes are provided using the asset and liability method, whereby deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Net deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the net deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured, if any, is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the statement of operations and comprehensive income.

(f) Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The Company has outstanding preferred shares that were issued as part of a tax planning arrangement. These preferred shares are included at their redemption price in the "liabilities" section of the balance sheet.

(g) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals and/or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(h) Use of estimates

The preparation of financial statements in conformity with US GAAP and ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Areas requiring the use of estimates include the useful life of property and equipment for purposes of amortization, the estimates of allowance for doubtful accounts, tax provisions, and completeness of accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(i) Recently issued accounting pronouncements

**Current expected credit losses ("CECL")**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. This ASU provides guidance on how to estimate credit losses on financial assets and requires the immediate recognition of estimated expected credit losses over the life of the financial instrument. The CECL model requires entities to consider current conditions and reasonable and supportable forecasts in developing an estimate of expected credit losses on their receivables and other financial assets.

ASU 2016-13 and its amendments are effective for interim and annual periods in fiscal years beginning after December 15, 2022. The Company does not expect that the adoption of the above accounting pronouncement will have a material impact on its financial position, results of operations, or cash flows.

**Income tax simplification**

ASU 2019-12 simplifies income tax accounting as part of the FASB's overall simplification initiative. The simplification guidance includes the removal of certain exceptions to the general principles of Accounting Standards Codification 740, Income Taxes, in order to reduce the cost and complexity of their application. Amendments also include simplification in several other areas, such as accounting for a franchise tax (or similar tax) that is partially based on income.

ASU 2019-12 was effective for the Company's October 31, 2023 year-end. The Company adopted the above accounting pronouncement which has no material impact on its financial position, results of operations, or cash flows.

(j) Government assistance

Government assistance from the Canada Emergency Business Account ("CEBA") loan under the Government of Canada COVID-19 response program is recorded as a liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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#### **4. FINANCIAL INSTRUMENTS**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

##### **(a) Fair value measurement**

Critical judgments and estimates are made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative credit worthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, and the estimated future cash flows and discount rates.

The Company classifies fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

The Company's financial instruments approximate the fair value due to their short-term nature.

##### **(b) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency fluctuations with respect of its cash and accounts receivable held in US dollars.

As at October 31, 2023, the Company has US dollar balances at their Canadian dollar equivalent in cash and accounts receivable of \$17,699 and \$27,978, respectively (2022 - \$5,162 and \$35,369).

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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#### **4. FINANCIAL INSTRUMENTS — continued**

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's principal financial assets subject to credit risk are cash and accounts receivable. The carrying amounts of financial assets on the balance sheet represent the Company's maximum credit exposure at the balance sheet date. The credit risk on cash is mitigated because the Company holds this instrument with a major Canadian financial institution.

The Company is exposed to credit risk with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts of \$45,574 (2022 - \$53,910), estimated by management based on previous experience and its assessment of current economic environment. The Company mitigates credit risk by following a program of credit evaluations of potential franchisees and limiting the amount of credit extended to franchisees when deemed necessary.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to this risk in respect to its accounts payable and accrued liabilities and loan payable. Cash flow from operation provides for the Company's cash requirements. Additional cash requirements are met with the use of the available operating line of credit.

#### **5. PROPERTY AND EQUIPMENT**

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Net</b>
Equipment	\$ 8,380	\$ 5,949	\$ 2,431	\$ 3,038
Computers	27,398	24,803	2,595	4,902
	<b>\$ 35,778</b>	<b>\$ 30,752</b>	<b>\$ 5,026</b>	<b>\$ 7,940</b>

#### **6. GOVERNMENT REMITTANCE PAYABLE**

Included in accounts payable and accrued liabilities are government remittances payable of \$26,388 (2022 - \$25,813).

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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#### **7. DUE TO SHAREHOLDERS**

The amounts due to shareholders are unsecured, non-interest bearing and due on demand.

#### **8. CANADA EMERGENCY BUSINESS ACCOUNT LOAN**

During the year ended October 31, 2021, the Company received \$60,000 from the Canada Emergency Business Account ("CEBA") program. The CEBA program has approved an interest-free loan of up to \$60,000 to the Company to help cover operating costs, due to the economic impacts of COVID-19. \$20,000 of the \$60,000 loan is eligible for complete forgiveness if the loan is fully repaid on or before the due date of January 18, 2024.

During the year ended October 31, 2023, the Company repaid \$5,000 on the outstanding CEBA loan. Subsequent to year-end, the Company has repaid \$35,000 of the outstanding balance, resulting in a loan forgiveness of \$20,000 to be recognized into income in the 2024 fiscal year-end.

#### **9. LOAN PAYABLE**

	<b>2023</b>	<b>2022</b>
Loan bearing interest at 6% (2022 - 6%) from an executive of the Company, principal monthly payments of \$5,000. Remaining balance to be repaid on January 31, 2024 for \$10,000, February 28, 2024 for \$12,500, and March 31, 2024 for \$12,500.	\$ 35,000	\$ 82,500
Less: current portion	35,000	57,500
	\$ -	\$ 25,000

The Company paid total interest of \$3,463 (2022 - \$2,325) as of October 31, 2023.

Minimum principal repayments are as follows:

2024	\$	35,000
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## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

#### **10. CAPITAL STOCK**

The Company is authorized to issue an unlimited number of shares without par value, issuable in series as follows:

- Unlimited number of Class A common shares;
- Unlimited number of Class B common shares;
- Unlimited number of Class C common shares;
- Unlimited number of Class D common shares;
- Unlimited number of Class E preferred shares; and
- Unlimited number of Class F preferred shares.

#### **Share transactions**

	<b>2023</b>	<b>2022</b>
Issued		
Common shares		
999 Class A	\$ 1,313	\$ 1,313
999 Class B	1,313	1,313
1 Class C	1	1
1 Class D	1	1
	<b>\$ 2,628</b>	<b>\$ 2,628</b>
	<b>2023</b>	<b>2022</b>
<b>Preferred shares (redemption value \$410,000)</b>		
205 Class E	\$ 205,000	\$ 205,000
205 Class F	205,000	205,000
	<b>\$ 410,000</b>	<b>\$ 410,000</b>

On October 31, 2018, the Company issued 205 Class E and 205 Class F non-voting preferred shares in exchange for the same number and class of shares of Moksha Yoga Incorporated Inc. ("Moksha"). These shares are required to be presented as a liability at their redemption value of \$1,000 per share as they are redeemable at the option of the shareholder.

The shareholders have indicated they have no intention to request redemption of the preferred shares in the next fiscal year.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2023**

**(In Canadian dollars)**

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#### **11. RELATED PARTY TRANSACTIONS**

During the year, the Company paid management fees of \$117,794 (2022 - \$240,000) to the directors and officers of the Company.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### **12. LINE OF CREDIT**

The Company has an operating line of credit of up to a maximum of \$100,000 (2022 - \$100,000). Interest is charged at prime plus 1.25% (2022 - prime plus 1.25%) per annum and is secured by a general security agreement over assets of the Company.

The Company has withdrawn \$100,000 (2022 - \$66,124) as at October 31, 2023.

#### **13. INCOME TAXES**

The Company issues franchises within the United States and France, but its operations are based within Canada. Therefore, the Company is only subject to Canadian tax law with the exception of withholding taxes associated with revenue earned outside of Canada.

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 11.00% (2022 - 11.00%) to income (loss) before income tax.

	<b>2023</b>	<b>2022</b>
Income (loss) before income tax	\$ (44,002)	\$ (269,435)
Combined basis Federal and Provincial income tax recovery at statutory rates	\$ (4,840)	\$ (29,638)
Other	1,824	3,538
Carry forward (utilization) of non-capital losses	3,016	26,100
Income tax expense	\$ -	\$ -

As at October 31, 2023, the Company has non-capital losses of \$514,139 available for carry-forward to reduce future years' taxable income. The non-capital losses expire in 2040, 2042, and 2043.

#### **14. COMPARATIVE FIGURES**

The financial statements have been restated, where applicable, to conform to the presentation used in the current year.

**MODO YOGA INTERNATIONAL INC.**

**Financial Statements**  
**October 31, 2022**  
**(In Canadian dollars)**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MODO YOGA INTERNATIONAL INC.

#### *Opinion*

We have audited the financial statements of Modo Yoga International Inc. (the "Company"), which comprise:

- ♦ the balance sheet as at October 31, 2022;
- ♦ the statement of operations and comprehensive loss for the year then ended;
- ♦ the statement of capital stock and deficit for the year then ended;
- ♦ the statement of cash flows for the year then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and Canadian accounting standards for private enterprises.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in United States of America and Canada. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United States of America and Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Emphasis of Matter*

We draw attention to note 16 to the financial statements which explains that certain comparative information presented for the year ended October 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with generally accepted auditing standards in the United States of America and Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
August 29, 2023

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**MODO YOGA INTERNATIONAL INC.****Balance Sheet****October 31****(In Canadian dollars)**

	<b>2022</b>	<b>2021</b>
		(note 16)
<b>Assets (note 14)</b>		
<b>Current</b>		
Cash	\$ 24,566	\$ 270,896
Accounts receivable, net (note 4)	124,060	99,140
Prepaid expenses	41,235	28,350
	189,861	398,386
<b>Property and equipment (note 5)</b>	<b>7,940</b>	<b>12,140</b>
	\$ 197,801	\$ 410,526
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (note 14)	\$ 66,124	\$ 30
Accounts payable and accrued liabilities (notes 6 and 13)	185,720	165,086
Deferred income	123,220	107,378
Goods and services tax	16,042	7,974
Due to shareholders (note 8)	23,573	40,000
Current portion of loan payable (note 10)	57,500	-
	472,179	320,468
<b>Canada Emergency Business Account loan (note 9)</b>	<b>60,000</b>	<b>60,000</b>
<b>Loan payable (note 10)</b>	<b>25,000</b>	<b>120,000</b>
<b>Redeemable preferred shares (note 12)</b>	<b>410,000</b>	<b>410,000</b>
	967,179	910,468
<b>Capital stock and deficit</b>		
<b>Capital stock (note 12)</b>	<b>2,628</b>	<b>2,628</b>
<b>Deficit</b>	<b>(772,006)</b>	<b>(502,570)</b>
	(769,378)	(499,942)
	\$ 197,801	\$ 410,526

Approved by the Board

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See notes to financial statements

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Operations and Comprehensive Loss**  
**Year Ended October 31**  
**(In Canadian dollars)**

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Studio and franchise fees	\$ 809,115	\$ 466,678
Teacher training	483,271	761,882
Online services	342,384	506,659
Retail sales	70,539	-
Other	15,389	27,808
Canada Emergency Wage Subsidy (note 11)	-	216,188
	<b>1,720,698</b>	<b>1,979,215</b>
<b>Cost of Sales</b>		
Website	129,373	110,183
Rent	73,239	5,480
Teacher costs	69,645	95,976
Cost of goods sold	26,641	-
Production	25,650	68,619
	<b>324,548</b>	<b>280,258</b>
<b>Expenses</b>		
Salaries and benefits	737,414	949,001
Professional fees	338,749	290,701
Management fees (note 13)	240,000	240,000
Travel and accommodation	115,764	37,757
Office and general	98,110	93,465
Bank charges	59,372	53,981
Advertising and promotion	29,924	24,791
Bad debts (recovered)	14,369	(20,973)
Interest on long-term debt (note 9)	2,325	-
Amortization	5,783	11,146
	<b>1,641,810</b>	<b>1,679,869</b>
<b>Income (loss) before other item and income tax</b>	<b>(245,660)</b>	<b>19,088</b>
<b>Other item</b>		
Loss on foreign exchange	23,776	8,746
<b>Income (loss) before income tax</b>	<b>(269,436)</b>	<b>10,342</b>
<b>Income tax recovery (note 15)</b>	<b>-</b>	<b>(125)</b>
<b>Net and comprehensive income (loss) for year</b>	<b>\$ (269,436)</b>	<b>\$ 10,467</b>

See notes to financial statements

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Capital Stock and Deficit**  
**Year Ended October 31**  
**(In Canadian dollars)**

	<b>Number of shares</b>	<b>Capital stock (note 16)</b>	<b>Deficit (note 16)</b>	<b>Total deficit (note 16)</b>
Balance, October 31, 2020	2,410	\$ 2,628	\$ (513,037)	\$ (510,409)
Net income and comprehensive income for year	-	-	10,467	10,467
Balance, October 31, 2021	2,410	2,628	(502,570)	(499,942)
Net loss and comprehensive loss for year	-	-	(269,436)	(269,436)
Balance, October 31, 2022	2,410	\$ 2,628	\$ (772,006)	\$ (769,378)

**MODO YOGA INTERNATIONAL INC.**  
**Statement of Cash Flows**  
**Year Ended October 31**  
**(In Canadian dollars)**

	<b>2022</b>	<b>2021</b>
		(note 16)
<b>Operating activities</b>		
Net and comprehensive income (loss)	\$ (269,436)	\$ 10,467
Items not involving cash		
Amortization	5,783	11,146
Bad debts	14,369	(20,973)
	(249,284)	640
Changes in non-cash working capital		
Accounts receivable	(39,289)	87,806
Prepaid expenses	(12,885)	59,510
Accounts payable and accrued liabilities	20,634	(90,667)
Deferred income	15,842	43,376
Goods and services tax	8,068	9,175
Income taxes	-	10,065
	(7,630)	119,265
Cash provided by (used in) operating activities	(256,914)	119,905
<b>Investing activities</b>		
Advances from shareholder	(16,427)	40,000
Purchase of property and equipment	(1,583)	(13,921)
Cash provided by (used in) investing activities	(18,010)	26,079
<b>Financing activities</b>		
Bank indebtedness	66,094	(40)
Repayment of loan payable	(37,500)	-
Canada Emergency Business Account loan	-	20,000
Cash provided by financing activities	28,594	19,960
<b>Inflow (outflow) of cash</b>	(246,330)	165,944
<b>Cash, beginning of year</b>	270,896	104,952
<b>Cash, end of year</b>	\$ 24,566	\$ 270,896

See notes to financial statements

# **MODO YOGA INTERNATIONAL INC.**

## **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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### **1. OPERATIONS**

Modo Yoga International Inc. (the "Company" or "Modo") was incorporated under the Business Corporations Act of British Columbia on September 25, 2012. The Company holds franchise rights for specific yoga systems and operations in the United States, Australia, France and Canada. The principal business of the Company is to provide yoga teacher training, administer online yoga classes, and hold franchise rights for specific yoga studios.

The head office, principal address, and registered and records office of the Company are located at 301 Epron Road, Salt Spring Island, British Columbia, Canada, V8K 1C7.

### **2. BASIS OF PRESENTATION**

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and Canadian accounting standards for private enterprises ("ASPE"), and are presented in Canadian dollars ("CAD"), the Company's functional currency.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company were prepared in accordance with the following significant accounting policies:

#### **(a) Financial instruments**

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost and has not designated any financial asset or liability as measured at fair value.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable, and accrued liabilities.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

#### **(b) Property and equipment**

Property and equipment is recorded at cost less amortization and impairment losses. Amortization is recorded over their useful lives using the declining-balance method and the following annual rates:

Equipment	- 20%
Computers	- 55%

The Company conducts a review for the impairment of long-lived assets whenever changes in circumstance indicate that the carrying amount of an asset may not be recoverable. If an asset is considered to be impaired, it is written down to its estimated fair value. The Company recorded no impairment of long lived assets during the year ended October 31, 2022.

#### **(c) Revenue recognition**

The Company grants franchise licenses to independent operators for yoga studios. Revenue for the initial franchise fee is recognized upon the completion of the contract with the franchisee, as all contractual obligations and commitments are complete at that time.

The Company earns and collects monthly fee revenue from their studios. Revenues from these fees, as stated in the franchise fee agreements, are recognized on a monthly basis once collection is reasonably assured. Revenues are shown net of foreign withholding tax.

The Company performs teacher training and revenues are recognized when services are performed and collection is reasonably assured. Amounts for teacher training received in advance are recorded as deferred income until the training is completed.

Retail sales, commission income, annual general meeting revenue, interstudio passes, mindbody fees, and miscellaneous income are recorded on the completion of the transaction once collection is reasonably assured.

The Company operates online services and collects recurring subscription revenue via a service provider. Revenue is recognized when the online services are delivered.

#### **(d) Foreign currency translation**

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date; and
- ii. Revenues and expenditures, at the rate of exchange prevailing at the time of the transaction.

Gains and losses arising from the translation of foreign currency are included in net income for the year.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(e) Income taxes

Deferred income taxes are provided using the asset and liability method, whereby deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Net deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the net deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured, if any, is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the statement of operations and comprehensive income.

(f) Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The Company has outstanding preferred shares that were issued as part of a tax planning arrangement. These preferred shares are included at their redemption price in the "liabilities" section of the balance sheet.

(g) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals and/or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(h) Use of estimates

The preparation of financial statements in conformity with US GAAP and ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Areas requiring the use of estimates include the useful life of long-lived assets for purposes of amortization, the estimates of allowance for doubtful accounts, tax provisions, and accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(i) Recently issued accounting pronouncements

**Current expected credit losses ("CECL")**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. This ASU provides guidance on how to estimate credit losses on financial assets and requires the immediate recognition of estimated expected credit losses over the life of the financial instrument. The CECL model requires entities to consider current conditions and reasonable and supportable forecasts in developing an estimate of expected credit losses on their receivables and other financial assets.

IASU 2016-13 and its amendments are effective for interim and annual periods in fiscal years beginning after December 15, 2022. The Company does not expect that the adoption of the above accounting pronouncement will have a material impact on its financial position, results of operations, or cash flows.

**Income tax simplification**

Accounting Standards Update 2019-12 simplifies income tax accounting as part of the FASB's overall simplification initiative. The simplification guidance includes the removal of certain exceptions to the general principles of ASC 740, Income Taxes, in order to reduce the cost and complexity of their application. Amendments also include simplification in several other areas, such as accounting for a franchise tax (or similar tax) that is partially based on income.

ASU 2019-12 will be effective for the Company's fiscal year beginning on November 1, 2022. The Company does not expect that the adoption of the above accounting pronouncement will have a material impact on its financial position, results of operations, or cash flows.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES — continued**

(j) Government assistance

Government assistance for wages and salaries as a result of the Government of Canada COVID-19 response program is included as revenue in the statement of operations and comprehensive income in the corresponding period.

Government assistance from the Canada Emergency Business Account ("CEBA") loans under Government of Canada COVID-19 response programs are recorded as a liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable.

#### **4. FINANCIAL INSTRUMENTS**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value measurement

Critical judgments and estimates are made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative credit worthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, and the estimated future cash flows and discount rates.

The Company classifies fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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#### **4. FINANCIAL INSTRUMENTS — continued**

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's principal financial assets subject to credit risk are cash and accounts receivable. The carrying amounts of financial assets on the balance sheet represent the Company's maximum credit exposure at the balance sheet date. The credit risk on cash is mitigated because the Company holds this instrument with a major Canadian financial institution.

The Company is exposed to credit risk with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts of \$53,910 (2021 - \$50,082), estimated by management based on previous experience and its assessment of current economic environment. The Company mitigates credit risk by following a program of credit evaluations of potential franchisees and limiting the amount of credit extended to franchisees when deemed necessary.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency fluctuations with respect of its cash and accounts receivable held in US dollars.

As at October 31, 2022, the Company has US dollar balances at their Canadian dollar equivalent in cash and accounts receivable of \$5,162 and \$35,369, respectively (2021 - \$212,490 and \$55,402).

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to this risk in respect to its accounts payable and accrued liabilities and due to related party. Cash flow from operation provides for the Company's cash requirements. Additional cash requirements are met with the use of the available operating line of credit.

**MODO YOGA INTERNATIONAL INC.****Notes to Financial Statements****Year Ended October 31, 2022****(In Canadian dollars)****5. PROPERTY AND EQUIPMENT**

	2022		2021	
	Cost	Accumulated amortization	Net	Net
Equipment	\$ 8,380	\$ 5,342	\$ 3,038	\$ 3,798
Computers	27,398	22,496	4,902	8,342
	\$ 35,778	\$ 27,838	\$ 7,940	\$ 12,140

**6. GOVERNMENT REMITTANCE PAYABLE**

Included in accounts payable and accrued liabilities are government remittances payable of \$25,813 (2021 - \$35,781).

**7. DUE TO RELATED PARTY**

This loan is non-interest bearing with no repayment terms to an executive of the Company.

**8. DUE TO SHAREHOLDERS**

The amounts due to shareholders are unsecured, non-interest bearing and due on demand.

**9. CANADA EMERGENCY BUSINESS ACCOUNT LOAN**

During the year ended October 31, 2022, the Company received loans of \$nil (2021 - \$20,000) from the Canada Emergency Business Account ("CEBA") program. The CEBA program has approved an interest-free loan of up to \$60,000 to the Company to help cover operating costs, due to the economic impacts of COVID-19. In January 2022, the repayment date for the outstanding balance of the CEBA loan was extended to December 31, 2023. Repayment of the CEBA loan on or before the due date will result in loan forgiveness of up to \$20,000. Non-repayment of the CEBA loan on or before the due date will convert the balance to a 3-year loan with 5% interest.

**MODO YOGA INTERNATIONAL INC.****Notes to Financial Statements****Year Ended October 31, 2022****(In Canadian dollars)****10. LOAN PAYABLE**

	<b>2022</b>	<b>2021</b>
Loan bearing interest at 6% (2021- nil%) from an executive of the Company; November 2022 principal payment of \$2,500 then repayable in minimum monthly payments of \$5,000 potentially increasing to \$10,000 per month depending on certain conditions and matures March 31, 2024.	\$ 82,500	\$ 120,000
Less: current portion	57,500	-
	<u>\$ 25,000</u>	<u>\$ 120,000</u>

The Company paid a total interest of \$2,325 (2021 - \$nil) as of October 31, 2022.

Minimum principal repayments are as follows:

2023	\$ 57,500
2024	25,000

**11. CANADA EMERGENCY WAGE SUBSIDY**

The Company was eligible for the Canada Emergency Wage Subsidy ("CEWS") under the federal government's COVID-19 relief program. The amount of \$216,188 was included in revenue in the statement of operations for year ended October 31, 2021, of which \$849 was included in accounts receivable in the prior year-end. This program was no longer available in the current year.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

## **12. CAPITAL STOCK**

The Company is authorized to issue an unlimited number of shares without par value, issuable in series as follows:

- Unlimited number of Class A common shares;
- Unlimited number of Class B common shares;
- Unlimited number of Class C common shares;
- Unlimited number of Class D common shares;
- Unlimited number of Class E preferred shares; and
- Unlimited number of Class F preferred shares.

### **Share transactions**

	<b>2022</b>	<b>2021</b>
Issued		
Common shares		
999 Class A	\$ 1,313	\$ 1,313
999 Class B	1,313	1,313
1 Class C	1	1
1 Class D	1	1
	<b>\$ 2,628</b>	<b>\$ 2,628</b>
	<b>2022</b>	<b>2021</b>
<b>Preferred shares (redemption value \$410,000)</b>		
205 Class E	\$ 205,000	\$ 205,000
205 Class F	205,000	205,000
	<b>\$ 410,000</b>	<b>\$ 410,000</b>

On October 31, 2018, the Company issued 205 Class E and 205 Class F non-voting preferred shares in exchange for the same number and class shares of Moksha Yoga Incorporated Inc. ("Moksha"). These shares are required to be presented as a liability at their redemption value of \$1,000 per share as they are redeemable at the option of the shareholder. These preferred shares are made up of \$134 paid up capital, \$252,326 charged to contributed surplus, and a \$157,540 charged to retained earnings.

The shareholders have indicated they have no intention to request redemption of the preferred shares in the next fiscal year.

## **MODO YOGA INTERNATIONAL INC.**

### **Notes to Financial Statements**

**Year Ended October 31, 2022**

**(In Canadian dollars)**

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#### **13. RELATED PARTY TRANSACTIONS**

During the year, the Company paid management fees of \$240,000 (2021 - \$240,000) to the directors and officers of the Company.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### **14. LINE OF CREDIT**

The Company has an operating line of credit of up to a maximum of \$100,000 (2021 - \$100,000). Interest is charged at prime plus 1.25% (2021 - prime plus 1.25%) per annum and is secured by a general security agreement over assets of the Company.

The Company has withdrawn \$66,124 (2021 - \$30) as at October 31, 2022.

#### **15. INCOME TAXES**

The Company issues franchises within the United States, Australia, and France, but its operations are based within Canada. Therefore, the Company is only subject to Canadian tax law with the exception of withholding taxes associated with revenue earned outside of Canada.

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 11.00% (2021 - 11.00%) to income (loss) before income tax

	<b>2022</b>	<b>2021</b>
Income (loss) before income tax	\$ (269,435)	\$ 10,341
Combined basis Federal and Provincial income tax recovery at statutory rates	\$ (29,638)	\$ 1,138
Other	3,538	2,932
Carry forward (utilization) of non-capital losses	26,100	(4,195)
Income tax expense	\$ -	\$ (125)

As at October 31, 2022, the Company has non-capital losses of \$486,723 available for carry-forward to reduce future years' taxable income. The non-capital losses expire in 2040 and 2042.

#### **16. COMPARATIVE FIGURES**

The financial statements have been restated, where applicable, to conform to the presentation used in the current year. The changes include restatement of the Class E and Class F preferred shares redemption value as a liability in the amount of \$410,000, with the difference charged as an elimination of contributed surplus of \$252,326 and increase in deficit of \$157,540.

**THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM.**

<b>Modo Yoga</b>			
<b>Financial Statements</b>			
<b>for the 3 months ending January 31, 2024</b>		<b>Historical</b>	
		<b>2023-10-31</b>	<b>2024-01-31</b>
		<b>Year</b>	<b>YTD - 3mo.</b>
		<b>Draft</b>	<b>Actual</b>
		<b>Audit</b>	<b>Internal</b>
		<b>CAD \$</b>	<b>CAD \$</b>
<b>Income Statement</b>			
<b>Sales</b>			
	Studio and franchise fees	911,306	288,408
	Teacher Training	306,482	17,448
	Online services	244,393	55,886
	Retail sales	72,456	24,823
	Other	29,161	(828)
	<b>Total</b>	<b>1,563,798</b>	<b>385,736</b>
<b>Cost of sales</b>			
	Website	117,512	13,763
	Teacher costs	108,074	8,190
	Rent	21,498	-
	Cost of goods sold	19,044	2,769
	Production	17,862	54
	<b>Total</b>	<b>283,990</b>	<b>24,777</b>
	<b>Gross margin \$</b>	<b>1,279,808</b>	<b>360,960</b>
	<b>Gross margin %</b>	<b>81.8%</b>	<b>93.6%</b>
<b>Overhead expenses</b>			
	Salaries and benefits	688,067	121,350
	Professional fees	241,524	112,998
	Management fees	117,794	459
	Office and general	110,828	26,107
	Bank charges	76,955	21,565
	Travel	55,882	4,235
	Advertising and promotion	19,524	4,958
	Interest on long-term debt	-	-
	Bad debts	221	-
	Amortization	-	-
	<b>Total overheads</b>	<b>1,310,795</b>	<b>291,672</b>
	<b>EBITDA prior to other revenue</b>	<b>(30,987)</b>	<b>69,288</b>
<b>Other revenue</b>			
	Loss (gain) on foreign exchange	6,638	(42,073)
		6,638	(42,073)
	<b>EBITDA \$</b>	<b>(37,625)</b>	<b>111,361</b>
	<b>EBITDA %</b>	<b>-2.4%</b>	<b>28.9%</b>

<b>Modo Yoga</b>			
<b>Financial Statements</b>			
<b>for the 3 months ending January 31, 2024</b>		<b>Historical</b>	
		<b>2023-10-31</b>	<b>2024-01-31</b>
		<b>Year</b>	<b>YTD - 3mo.</b>
		<b>Draft</b>	<b>Actual</b>
		<b>Audit</b>	<b>Internal</b>
		<b>CAD \$</b>	<b>CAD \$</b>
<b>Financial expenses (revenue)</b>			
	Amortization	2,914	-
	Interest and short term borrowings		-
	Interest on long term debt	3,463	525
	Interest Revenue		
	CEBA loan forgiveness		
		6,377	525
	<b>Net Income before tax</b>	(44,002)	110,836
	<b>Income tax provision</b>		
	<b>Net Income \$</b>	(44,002)	110,836
	<b>Net Income %</b>	-2.8%	28.7%
<b>Retained Earnings</b>			
	<b>Beginning</b>	(772,006)	(816,008)
	<b>Net Income</b>	(44,002)	110,836
	<b>Dividends</b>		
	<b>End</b>	(816,008)	(705,172)

<b>Modo Yoga</b>			
<b>Financial Statements</b>			
<b>for the 3 months ending January 31, 2024</b>		<b>Historical</b>	
		<b>2023-10-31</b>	<b>2024-01-31</b>
		<b>Year</b>	<b>YTD - 3mo.</b>
		<b>Draft</b>	<b>Actual</b>
		<b>Audit</b>	<b>Internal</b>
		<b>CAD \$</b>	<b>CAD \$</b>
<b>Balance Sheet</b>			
<b>Assets</b>			
<b>Current Assets</b>			
	Cash	-	15,580
	Accounts receivable	54,125	14,079
	Prepays	16,951	14,291
		71,076	43,950
<b>Long term assets</b>			
	Property and equipment	5,026	7,232
	<b>Total assets</b>	<b>76,102</b>	<b>51,182</b>
<b>Liabilities and equity</b>			
<b>Current Liabilities</b>			
	Bank indebtedness	66,424	-
	Accounts payable and accrued liabilities	150,883	99,131
	Goods and services tax	20,803	16,960
	Deferred revenue	151,372	183,263
	Current portion of long term debt	-	
	<b>Total current liabilities</b>	<b>389,482</b>	<b>299,354</b>
<b>Long term liabilities</b>			
	Long term debt (Ryann)	35,000	25,000
	CEBA Loan	55,000	20,000
	Redeemable Preferred	410,000	410,000
	Due to shareholders	-	-
	New Debt		
	<b>Total liabilities</b>	<b>889,482</b>	<b>754,354</b>
<b>Equity</b>			
	Capital stock	2,628	2,000
	Retained earnings	(816,008)	(705,172)
		(813,380)	(703,172)
	<b>Total liabilities and equity</b>	<b>76,102</b>	<b>51,182</b>

<b>Modo Yoga</b>			
<b>Financial Statements</b>			
<b>for the 3 months ending January 31, 2024</b>		<b>Historical</b>	
		<b>2023-10-31</b>	<b>2024-01-31</b>
		<b>Year</b>	<b>YTD - 3mo.</b>
		<b>Draft</b>	<b>Actual</b>
		<b>Audit</b>	<b>Internal</b>
		<b>CAD \$</b>	<b>CAD \$</b>
<b>Cashflow</b>			
<b>Operating activities</b>			
	Net Income	(44,002)	110,836
	Plus amortization	2,914	-
	Accounts receivable	69,935	40,046
	Prepays	24,284	2,660
	Accounts payable and accrued liabilities	(34,837)	(51,752)
	Deferred revenue	28,152	31,891
		51,207	129,838
<b>Investing activities</b>			
	Property and equipment	-	(2,206)
	Other		
		-	(2,206)
<b>Financial activities</b>			
	Long term debt (Ryann)	(47,500)	(10,000)
	CEBA Loan	(5,000)	(35,000)
	Redeemable Preferred	-	-
	Due to shareholders	(23,573)	-
	Commons Stock		(628)
	Dividends	-	-
		(76,073)	(45,628)
<b>Change in cash</b>		<b>(24,866)</b>	<b>82,004</b>
<b>Beginning cash (short term bank borrowings)</b>		<b>(41,558)</b>	<b>(66,424)</b>
<b>Ending cash (short term bank borrowings)</b>		<b>(66,424)</b>	<b>15,580</b>

**EXHIBIT E**  
**FRANCHISE AGREEMENT**  
[See Attached]

**MODO YOGA INTERNATIONAL, INC.**

**Franchise Agreement**

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SCHEDULE A TERRITORY

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SCHEDULE C GUARANTY AND ASSUMPTION OF FRANCHISEE’S OBLIGATIONS

## FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT is made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”)

BETWEEN:

**MODO YOGA INTERNATIONAL, INC.**, a corporation incorporated under the laws of the Province of British Columbia, with its principal business address located at 980 Alder Street, Campbell River, British Columbia, V9W 2P9 Canada (“**Franchisor**”)

AND:

\_\_\_\_\_ a corporation incorporated under the laws of \_\_\_\_\_ and having an office at \_\_\_\_\_.  
 (“**Franchisee**”).

### RECITALS

A. Franchisor has established a method and system for the development and operation of MODO YOGA studios, which includes, without limitation: the mark MODO YOGA® and related names, trademarks, service marks, logos, copyrights, designs, emblems, slogans, commercial symbols and other indicia and associated goodwill now or hereafter designated for use by Franchisor in connection with the System and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body (the “**Marks**”); distinctive building designs, decor, color schemes and trade dress and signage; an operations manual incorporating required standards, procedures, policies, and techniques; yoga poses and sequences; fitness class sequences; and advertising, marketing, and promotional programs (the “**System**”);

B. Franchisee understands that the specifications and standards established and insisted upon by Franchisor are essential elements of the MODO YOGA Franchise, and are for the purposes of establishing and maintaining standards of uniformity and quality control among all MODO YOGA studios, in order to maintain and further goodwill and to protect the proprietary rights to the System and Marks, for the benefit of Franchisor and all of its franchisees;

C. If Franchisee is a corporation, partnership, or other entity (an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity of Franchisee (each, an “**Owner**”) shall be listed on Schedule B to this Agreement and shall execute the Guaranty and Assumption of Franchisee’s Obligations attached as Schedule C to this Agreement (the “**Guaranty**”);

D. Franchisor desires to grant to Franchisee, and Franchisee desires to obtain from Franchisor, the right to establish and operate a studio in accordance with the System at a designated location (the “**Studio**”) upon the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of these premises and the mutual covenants contained herein, the sufficiency of which is acknowledged by the parties, the parties agree as follows:

## 1. GRANT OF FRANCHISE

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a license to use the Marks and the System solely in the operation of the Studio at one location within the Territory, as defined below (the “**Franchise**”). Franchisee acknowledges that adherence to the standards and policies of the System is essential for the continued operation of the Franchise granted by this Agreement.

## 2. LOCATION AND PROTECTED TERRITORY

(a) Location. The location for the Studio is set forth in **Schedule A** attached hereto and incorporated by this reference. If the location of the Studio has not been determined at the time Franchisee and Franchisor sign this Agreement, then it shall be determined as provided in Section 3 below.

(b) Territory. During the term of this Agreement, Franchisor shall not open and operate, or license another party to open and operate, a yoga studio utilizing the Marks and the System in the area described in **Schedule A** and identified therein as the territory (the “**Territory**”).

(c) Limitation Upon Territorial Protection. Franchisee acknowledges the limited nature of the territorial protection granted hereby, and that Franchisor is not granting an exclusive or protected trading area to Franchisee, but rather is granting to Franchisee an area around the Studio location which is protected from having another MODO YOGA studio located directly within it (except as described elsewhere herein), and further that Franchisee, Franchisor and all other MODO YOGA franchisees are free to serve any clients at their respective studios, however Franchisee and all other MODO YOGA franchisees may not directly solicit any clients located outside their respective Territories, including without limitation through the internet, social media websites, catalog sales, flyers, advertisements, telemarketing or other direct marketing channels.

(d) Franchisor’s Reservation of Rights. Franchisor reserves all rights not specifically granted to Franchisee hereunder. In particular, and not in limitation of the foregoing, Franchisor reserves the right to conduct businesses using marks or commercial symbols different from the Marks either within or outside of the Territory. Franchisor also reserves the right to use the Marks, and license the right to others to use the Marks, for purposes other than operating a Studio. Franchisor also reserves the right to operate or offer any online yoga or fitness classes or tutorials and to conduct all commerce over the internet and other means of electronic commerce as may in the future be developed using the Marks or otherwise, and Franchisee has no right to do so except as may be specifically permitted hereunder.

## 3. SITE SELECTION AND OPENING

(a) Site Selection. Franchisee agrees and acknowledges that Franchisee is responsible for locating, obtaining financing for, securing appropriate zoning and permits for and equipping the site for the Studio. Franchisee shall provide Franchisor with all relevant information concerning the proposed site including the zoning of the site, demographic information about the surrounding area, locations of any similar or complementary businesses, traffic flow, parking, rent, size, layout and such other information as Franchisor may require. Franchisor will approve or disapprove the proposed site within 30 calendar days after it receives notice thereof and all relevant information. Franchisee must obtain Franchisor’s written consent to a site for the Studio and have executed a lease with respect to such approved site within 180 calendar days after execution of this Agreement (the “**Lease Deadline**”). If Franchisee fails to sign a lease

for its Studio at a site Franchisor has approved on or before the Lease Deadline, then either Franchisor or Franchisee may terminate this Agreement upon written notice to the other party. Franchisor may, but is not required to, agree to reasonable extensions of the Lease Deadline in 6-month increments provided that upon each request to extend the Lease Deadline, Franchisee shall pay Franchisor an extension request fee of \$250 plus applicable taxes.

(b) Lease. Franchisee shall not sign a lease or contract for the Studio site without receiving Franchisor's prior written consent. Franchisee shall fully perform all obligations to be performed by Franchisee under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Franchisee in response to the notice. The lease or contract must contain such additional terms and conditions as Franchisor may require to provide for the protection of Franchisor's rights and interests, including but not limited to a conditional lease assignment in a form acceptable to Franchisor, and including the following:

(i) the absolute and unconditional right of Franchisee to assign its interest in the lease to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;

(ii) the landlord's acknowledgment that Franchisee shall not assign or transfer the lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(iii) the landlord's consent to Franchisee's use of such signage as Franchisor may require;

(iv) the obligation of the landlord to notify Franchisor in writing of any default by Franchisee of any of the terms and conditions of the lease;

(v) that no amendment, addition, or other modification or change be made to the lease without obtaining the prior written consent of Franchisor;

(vi) that upon expiration or termination for any reason of this Agreement, Franchisee's rights under the lease shall, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;

(vii) Franchisee's acknowledgment that the landlord may rely upon such notice and shall not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(viii) that such notice shall, without further act or formality, operate as an effective assignment of Franchisee's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Franchisee under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord with respect to, any liabilities arising from or relating to Franchisee's actions, failure to act or defaults prior to the assignment of the lease;

(ix) Franchisee's acknowledgment that the landlord shall, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the landlord's possession respecting sales made in, upon or from the demised premises;

(x) the landlord's acknowledgment that this Agreement contains a right on the part of Franchisor, in the event of expiration or termination of this Agreement for any reason whatsoever, to enter the premises and to make any alterations in the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with Franchisor as required by this Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such re-entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the demised premises; and

(xi) that Franchisor shall be a third-party beneficiary under the lease.

(xii) Franchisee shall be responsible for all costs associated with the negotiation of the lease. All amounts spent by Franchisor to cure any breach by Franchisee of the lease for the site of the Studio shall be due to Franchisor from Franchisee upon Franchisor's written demand.

(c) Site Development. Franchisee shall develop the site and construct or remodel and equip the Studio, all in accordance with Franchisor's requirements. Franchisee shall be solely responsible for obtaining the architectural plans for the location. Upon Franchisor's request, Franchisee shall provide such architectural plans to Franchisor and obtain Franchisor's prior written approval of such plans prior to commencing construction. All signage at the Studio site shall conform to Franchisor's specifications. Franchisee shall submit all designs and plans for any interior or exterior signage to Franchisor and obtain Franchisor's written approval of same prior to Franchisee ordering and installing such signage. Franchisor shall respond to Franchisee within 10 business days following receipt of any designs or plans for signage. Franchisor shall also provide Franchisee with sample renderings to assist Franchisee with developing Franchisee's own plans for the construction, equipping and fixturing of the site.

(d) Construction Standards. Franchisee shall be responsible for the establishment and completion of the Studio, including construction or remodeling and equipment installation. Franchisee agrees that in constructing or remodeling the Studio, it shall secure all necessary permits and adhere to the plan, design, color scheme, environmental design and building standards, and motif of MODO YOGA studios as specified by Franchisor, and any changes to the standard plans and specifications, if necessary to meet the requirements of applicable codes and regulations, will be subject to Franchisor's prior review and consent. At Franchisor's request, Franchisee shall submit all plans and specifications to Franchisor for review prior to submitting them to regulatory authorities for approval and, in such case, shall not submit plans to any regulatory authority or proceed with construction until Franchisor's written consent is obtained.

(e) Fixture and Equipment Standards. Franchisee shall lease or purchase all fixtures and equipment designated by Franchisor and shall install, or have installed, in the Studio all such fixtures and equipment. Unless otherwise specified in this Agreement or the Operations Manual, Franchisee has the right to lease or purchase the fixtures and equipment from any source, provided, however, all fixtures, furnishings, color schemes, machinery, equipment, and accessories shall conform to specifications of design, color, quality, performance, and utility designated and approved by Franchisor.

(f) Sign Standards. Franchisee shall prominently display and maintain in good appearance and condition on the land and building comprising the Studio all signs of such nature, form, color, illumination, and size, and containing such legends and symbols as Franchisor shall require. Franchisee shall not display at the Studio any signs to which Franchisor objects.

(g) Opening. Franchisee shall do all such acts and things as are necessary (including, without limiting the foregoing, compliance with all contractual obligations) to ensure that the Studio is open for business with all necessary permits, licenses and approvals in place, fully fixtured, stocked and staffed, as soon as reasonably possible following completion of the leasehold improvements to the Studio location, all

at the sole cost of Franchisee. Franchisee shall not open the Studio until Franchisor has given its approval in writing. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to giving its approval. Franchisor shall provide Franchisee with such management assistance as Franchisor deems necessary at the opening and for a short time thereafter.

(h) Relocation. Franchisee may not relocate the Studio, or open additional locations, without Franchisor's prior written consent.

FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE SITE SELECTION PROCESS AND IN SITE DEVELOPMENT AND MAY HAVE REVIEWED INFORMATION ON THE SITE, THE LEASE, AND OTHER ASPECTS OF THE DEVELOPMENT OF THE STUDIO, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTEE OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE, OR THE SUCCESS OR PROFITABILITY OF THE BUSINESS TO BE OPERATED AT SUCH LOCATION.

#### **4. TERM OF AGREEMENT**

(a) This Agreement shall commence on the date it is signed by Franchisor and shall continue for 5 years, subject to earlier termination as provided herein. The term of the lease or sublease (including options) Franchisee enters into for the Studio location shall be for such period of time. If Franchisee is acquiring an existing Studio, the term of this Agreement shall be the shorter of: (a) the remaining term of the transferor's franchise agreement; and (b) the remaining term of the existing lease (including options) for the Studio.

(b) If after the expiration of the term of this Agreement, Franchisee continues to carry on the franchised business under the System with Franchisor's consent and without having completed the renewal of this Agreement, then for such period of time, Franchisee shall be deemed to be an overholding Franchisee from month-to-month and the terms and conditions of this Agreement shall continue to apply to and govern such continued operation, until either the renewal of this Agreement is completed as set forth below, or either Franchisee or Franchisor has given one month's notice to the other in writing of its non-renewal, following which the post-termination or expiry provisions of this Agreement shall be complied with.

(c) Notwithstanding the provisions of Section 4(b), upon expiration without renewal of this Agreement or at any time during such overholding period, the territorial protection provided for in Section 2 will be deemed to no longer apply upon written notice from Franchisor to Franchisee to that effect, and Franchisor shall immediately thereafter have the right to own, operate or franchise another MODO YOGA studio within the Territory.

#### **5. RENEWAL OF FRANCHISE**

Subject to compliance with each and every one of the conditions set forth below, Franchisee has the option to renew the right to operate the Studio for one additional term of 5 years:

(a) Written Notice. Franchisee gives Franchisor written notice of its election to renew not less than 6 months and not more than 9 months prior to the expiration of the term;

(b) No Default. Franchisee, when notice is given and at the time of renewal, is not in default of any material provision of either this Agreement or any other agreement between Franchisee and Franchisor or their affiliates;

(c) No Monetary Obligations Outstanding. All monetary obligations owed by Franchisee to Franchisor or its affiliate have been satisfied prior to renewal;

(d) General Release. Franchisee and each of the Owners must execute and deliver a general release of Franchisor and its affiliates, officers, directors, shareholders, employees, agents and representatives (to the extent permissible under applicable laws) in a form acceptable to Franchisor;

(e) Renewal Fee. Franchisee must pay to Franchisor a renewal fee equal to \$5,000;

(f) Lease. Franchisee furnishes Franchisor with a copy of a lease for the Studio premises indicating that Franchisee has the right to the premises for the renewal term;

(g) Updates. The Studio must meet Franchisor's then-current requirements or Franchisee must complete, at Franchisee's own expense and to Franchisor's satisfaction, all required modifications, renovations, alterations, refurbishment, remodeling and redecoration as well as adopt and implement any new methods, programs, modifications, systems and techniques to update the Studio to meet Franchisor's then-current requirements;

(h) Current Agreement. Franchisee shall sign Franchisor's then-current form of Franchise Agreement for a 5-year term and any related documentation. Franchisee acknowledges that the then-current form of Franchise Agreement may contain terms that are materially different from those set forth in this Agreement including a different fee structure which may include, but not be limited to, higher amounts of Royalty Fees and Brand Fund Fees and changes to the Territory including reducing the size of the Territory provided that any change to the Territory by Franchisor shall be made in its sole discretion, acting reasonably and in good faith with consideration to factors including, but not limited to, current market analyses;

(i) No Repeated Defaults. Franchisee shall not have, during the term of this Agreement or the preceding renewal term, received 3 or more notices of default in any 24-month period;

(j) Additional Training. Franchisee shall attend and successfully complete, and will cause those employees designated by Franchisor to attend and successfully complete, any additional training or retraining programs as Franchisor may specify. Franchisor reserves the right to charge reasonable tuition and material fees for such training or retraining programs. Franchisee will be responsible for all other expenses incurred in training, including, without limitation, the costs of meals, entertainment, lodging travel, and wages for Franchisee and its employees; and

(k) Current Standards. Franchisee must meet Franchisor's then-current qualification standards for new franchisees.

Franchisee shall have no right to enter into a new agreement with Franchisor if Franchisee fails to comply with each of the conditions set forth above in a timely manner and prior to the expiration of the then-current term or if Franchisee fails to fully execute, complete, and return to Franchisor any documents related to the renewal of this Agreement within 30 calendar days after Franchisor has delivered them to Franchisee, or such other date as Franchisor may specify from time to time.

## 6. FEES

(a) Initial Franchise Fee. In consideration of the Franchise granted herein, Franchisee shall pay to Franchisor an initial franchise fee in the amount of \$25,000 (the "**Initial Franchise Fee**"), in full, upon execution of this Agreement. The initial franchise fee is deemed to be fully earned immediately upon

payment, and is non-refundable, except in the event (i) Franchisee fails to complete the initial training program to Franchisor's satisfaction or (ii) Franchisor does not approve of Franchisee's site for its Studio, or Franchisee has not signed a lease for such site, on or before the Lease Deadline as required by Section 3(a) of this Agreement; in which case, Franchisor may terminate this Agreement and refund to Franchisee the Initial Franchise Fee less 20% of such fee, which amount it may retain for its cost in evaluating Franchisee's application and providing training and other assistance.

(b) Continuing Royalty.

(i) In addition to the Initial Franchise Fee, Franchisee shall pay to Franchisor non-refundable monthly continuing royalties of \$350 per month (the "**Fixed Royalty Fee**"), plus non-refundable weekly continuing royalties of 5% of Franchisee's Gross Revenues (the "**Variable Royalty Fee**" and together with the Fixed Royalty Fee, the "**Royalty Fees**").

(ii) For the purposes of this Agreement, "**Gross Revenues**" shall mean the total revenues derived by Franchisee from the Studio, products and services sold or dispersed, directly or indirectly, at or from the Studio or otherwise in or from the franchised business, including, without limitation, cash sales, credit sales, internet sales and any payments under Franchisee's business interruption insurance coverage, but shall exclude amounts for the following: sales, goods and services and similar taxes collected from customers and paid to a governmental tax authority; any customer refunds, returns, or allowances made in accordance with Franchisor's policy; Karma Funds (as described in the Operations Manual and defined in subsection 9(f)(iii) below); authorized rental sources from secondary parties not offered in connection with the Marks (e.g. rental of massage/chiropractic room); and any Permitted Side Business (as defined in subsection 9(a) below). No deduction will be allowed for uncollected or uncollectible accounts, credit card or other charges, or in respect of any other matter. No Royalty Fees are payable to Franchisor during the first three months that the Studio is open.

(iii) Payments of the Fixed Royalty Fee for each monthly period shall be made in advance on or before the first (1<sup>st</sup>) day of each month. Payment of the weekly Variable Royalty Fee shall be made on or before the Thursday of each week for the immediately preceding week. All such payments shall be accompanied by a financial reporting statement showing how such Variable Royalty Fees were computed for the week in such form and detail and giving such other financial and sales-related information as shall from time to time be required by Franchisor. Every transaction or sale in, upon or from the Studio will be registered or recorded upon the cash register, point of sale system, and/or reservation and scheduling system as required by Franchisor. Franchisor may require that Franchisee's cash register, point of sale system, reservation and scheduling system, and computer equipment be linked with Franchisor's computer system or otherwise include on-line access that permits Franchisor to read, download and copy any and all such information required by Franchisor from time to time. Franchisee agrees to provide such access on a free and uninterrupted basis, to maintain all of its records in an accurate, complete and absolutely current basis. Franchisor may waive the requirement for all such Variable Royalty Fee payments to be accompanied by a financial reporting statement from time to time, where Franchisor is satisfied that it has obtained all required information through such linking of Franchisee's cash register, point of sale system and computer equipment with Franchisor's home office computer system. All Royalty Fee payments shall also be accompanied by a copy of Franchisee's federal or state sales tax returns for sales taxes which Franchisee files with the appropriate governmental authorities for the franchised business. Franchisor agrees to keep all such information confidential, and to only use the same for the purposes of this Agreement.

(c) Method of Payment. All payments required to be made by Franchisee to Franchisor hereunder shall be paid by credit card, check, certified check, electronic funds transfer or such other method

as Franchisor may reasonably specify from time to time. Franchisee shall execute and deliver such instruments as are necessary and appropriate to effect such transfers. Franchisor may vary the frequency of the due date and the method of payment from time to time.

(d) Non-payment. If Franchisor does not receive Franchisee's Royalty Fee, Brand Fund Fee or any other payment due hereunder within 5 calendar days after notice thereof is delivered to Franchisee, then Franchisee acknowledges that, in addition to exercising all other rights and remedies that Franchisor has, Franchisor may terminate this Agreement.

(e) Charge on Late Payments. In addition to all other rights and remedies that accrue to Franchisor, late or overdue payments shall bear interest after the due date at the rate of 10% per annum, not to exceed the highest applicable rate allowed by law. Franchisee acknowledges that this provision does not constitute agreement by Franchisor to accept such payments after they are due or a commitment to extend credit to, or otherwise finance such amounts.

(f) No Withholding of Payment. Franchisee shall not, on the grounds of the alleged non-performance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

(g) Application of Payments; Right of Offset. Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee.

(h) Quarterly Reporting. Upon Franchisor's request, Franchisee shall provide to Franchisor on a quarterly basis, on or before the 20th day of each month following each calendar quarter, an income and expense statement and a balance sheet in such form and detail as shall from time to time be reasonably required by Franchisor in respect of the franchised business during the preceding calendar quarter, which shall be certified as accurate by Franchisee.

(i) Annual Reporting. Upon Franchisor's request, Franchisee shall also provide to Franchisor on an annual basis, within 90 calendar days following the end of each fiscal year of Franchisee, a balance sheet and a profit and loss statement for the franchised business for the preceding fiscal year, prepared by an independent certified public accountant in accordance with generally accepted accounting principles applied on a consistent basis from year to year, which shall contain such detail as shall from time to time be reasonably required by Franchisor in respect of the franchised business during the previous fiscal year. In the event Franchisee has been in default under this Agreement during such fiscal year, then upon the reasonable written request of Franchisor, such financial statements shall be audited.

(j) Additional Information. Franchisee will also submit to Franchisor, such other forms, reports, records, information and data as Franchisor may designate, in the form and at the time required by Franchisor, upon request and as specified from time to time in the Operations Manual or otherwise in writing.

## 7. DUTIES OF FRANCHISOR

### (a) Training and Support.

(i) Teacher Training. Franchisee (or if Franchisee is an Entity, Franchisee's Majority Owner or each person comprising the Majority Owner Group) must successfully complete Module 1 of the MODO YOGA Foundational Training program ("**Foundational Training**") and may elect to complete

Module 2 of Foundational Training. If Franchisee, its Majority Owner or any person comprising the Majority Owner Group (as applicable) elect not to complete Module 2 of Foundational Training, Franchisee must hire a Manager, as defined in Section 9(h), and the Manager must successfully complete Module 2 of Foundational Training. With respect to an Entity, “**Majority Owner**” refers to the direct or indirect ownership of 51% or more of all of the issued and outstanding voting securities or membership interests in such Entity and “**Majority Owner Group**” refers to a group of more than one shareholder or member, which group of shareholders or members collectively owns 51% or more of all of the issued and outstanding voting securities or membership interests in such Entity.

(ii) Studio Owner Training. Within 365 calendar days after the date of this Agreement but in any event at least 180 calendar days prior to opening the Studio for business, Franchisee or, if applicable, the Majority Owner or each person comprising the Majority Owner Group, shall successfully complete Franchisor’s studio owner training. Training shall be conducted online or at a location or locations designated by Franchisor and for such duration as Franchisor, in its discretion, determines necessary. Training may be comprised of on-line webinars that are live or pre-recorded, manuals, and other classes as required and presented by Franchisor.

(iii) Evaluation. Franchisor shall have the right, during the studio owner training program, to further evaluate a Franchisee’s fitness to operate under this Agreement. In the event Franchisee, its Majority Owner or each person comprising the Majority Owner Group fails to successfully complete the studio owner training program, Franchisor shall have the right to terminate this Agreement.

(iv) Training Fees. Franchisee shall not be charged an additional fee to train up to three individuals. Franchisor may charge a fee to provide studio owner training to additional individuals.

(v) Additional Training. Franchisor may require Franchisee, the Manager and other personnel to attend refresher and additional training courses from time to time, and within certain timeframes specified by Franchisor, and Franchisee acknowledges that there may be a fee charged for such training. Such training might include but is not limited to additional studio owner training. Franchisor may also require any of the Owners or Franchisee to complete additional yoga teacher training courses as and when specified by Franchisor. Franchisor may require Franchisee or at least one Owner to attend franchisee conferences or meetings arranged by Franchisor from time to time.

(vi) Expenses. Franchisee shall be responsible for all travel and living expenses and wages, if any, that Franchisee, its Manager and other personnel may incur in connection with initial or refresher training or any franchisee meetings or conferences. No compensation of any type will be payable by Franchisor to trainees.

(b) Operations Manual. Franchisor will lend to Franchisee for use during the term of this Agreement a copy of Franchisor’s proprietary and confidential operations manual which Franchisor may amend from time to time, containing mandatory specifications, standards, operating procedures and rules for the System and which, in addition to any rules of operation, policies, video and audio recordings, memoranda, letters, directives, instructions and other materials delivered by Franchisor to Franchisee, for use by franchisees generally or Franchisee in particular, setting out information, advice, standards, requirements, operating procedures, instructions or policies relating to the operation of a MODO YOGA franchise, is collectively referred to as the “**Operations Manual**”. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under the Marks, Franchisee will operate the Studio in strict compliance with the Operations Manual including all amendments and additions. All such specifications, standards, operating procedures and rules prescribed from time to time in the Operations Manual, or otherwise communicated to Franchisee in writing, shall

constitute requirements of this Agreement and shall be kept confidential by Franchisee, the Owners, and Franchisee's directors, officers, shareholders, employees and agents, as the case may be. Franchisee will not at any time copy any part of these materials, disclose any information contained in them to others or permit others access to them. Franchisee agrees to keep strictly confidential all passwords and user IDs necessary to access the Operations Manual online. Franchisee acknowledges and agrees that the Operations Manual may be modified from time to time to reflect changes in the System. All modifications to the Operations Manual shall be binding upon Franchisee upon being mailed or otherwise delivered or made available to Franchisee. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee's own cost. In the event of any dispute as to the contents of the Operations Manual, the contents of the master copy of the Operations Manual maintained by Franchisor will be determinative. The Operations Manual will contain proprietary information belonging to Franchisor and Franchisee acknowledges that the Operations Manual is, and shall remain, the property of Franchisor. Franchisee shall promptly return to Franchisor or destroy any physical or electronic copies of the Operations Manual upon termination or expiration of this Agreement. All references herein to the Agreement shall include the provisions of the Operations Manual and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establish and maintain a common identity. Franchisee agrees and acknowledges that full compliance with each and every detail of the System and the Operations Manual is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the Studio in accordance with the System and the Operations Manual can cause damage to all of the other parties described above, as well as to Franchisee. Consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of Franchisee's business.

(c) Advice and Consultation. Franchisor may, upon request by Franchisee, advise and consult with Franchisee periodically in connection with the development and operation of the Studio and provide any other assistance considered by Franchisor to be helpful to Franchisee. Franchisor shall communicate to Franchisee its know-how, new developments, techniques, and improvements in studio management, yoga and fitness instruction and services which are pertinent to the operation of the Studio in accordance with the System, all subject to Franchisee's obligation to maintain in confidence such information as would not ordinarily be disclosed.

(d) No Warranties Other than in Writing. With respect to any goods and/or services provided by Franchisor, its affiliates and/or any person or company referred or approved by Franchisor or its affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided **without any warranties**, express or implied, and the warranties of merchantability and fitness for a particular purpose are expressly disclaimed.

(e) Equipment or Products from Third Parties. Franchisor shall not be liable to any person or entity for any aspect of the labor or installation of any equipment, services or products acquired from third parties. In no event shall Franchisor nor any of its affiliates be liable to Franchisee or any third party for lost profits or other consequential, incidental, indirect or special damages of any nature whatsoever, including, without limitation, loss of profits, loss of business, or anticipatory profits, related to such equipment, services, or products even if said party was apprised of the likelihood of such damages.

## **8. MARKETING, DESIGN AND BRAND FUND**

(a) Marketing, Design and Brand Fund. Franchisor has established a marketing, design and brand fund (the "**Brand Fund**"). In addition to all other payments required to be made by Franchisee to Franchisor hereunder, Franchisee agrees to contribute to the Brand Fund by paying to Franchisor weekly,

on or before the Thursday of each week, an amount equal to 2% of all Gross Revenues for the immediately preceding week together with all applicable taxes (“**Brand Fund Fee**”). The Brand Fund Fee shall be paid together with the weekly Variable Royalty Fees. Franchisee agrees and acknowledges that any contributions to the Brand Fund may be deposited in Franchisor’s general operating account, may be commingled with Franchisor’s general operating funds and may be deemed an asset of Franchisor. Franchisor will administratively segregate the Brand Fund on its books and records and give Franchisee an annual unaudited statement of Brand Fund collections and expenses upon Franchisee’s written request. No Brand Fund Fee is payable by Franchisee to Franchisor with respect to the first three months the Studio is open.

(b) Use of the Brand Fund. Franchisor will use the Brand Fund for the purpose of promoting the System as a whole and increasing the goodwill of the Marks. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, producing materials for use in connection with such advertising and marketing. Franchisee understands, acknowledges and agrees that all decisions regarding advertising, marketing and branding, including without limitation the content, type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor and shall be final and binding. Franchisee agrees and acknowledges that Franchisor may pay from the Brand Fund all costs of the formulation, development and production of any branding, advertising and promotion (including without limitation the proportionate compensation of Franchisor’s employees who devote time and render services in connection with such advertising and promotional programs or the administration, accounting and collection of the Brand Fund). Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to Franchisee’s Brand Fund contributions in the market area of the Territory, nor does Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising. Franchisor shall not assume any direct or indirect liability or obligation whatsoever towards Franchisee with respect to the maintenance, direction and administration of the Brand Fund. Franchisor may discontinue the operation of the Brand Fund upon notice to Franchisee and thereupon Franchisee’s obligation to contribute further to the Brand Fund shall terminate. Franchisee further agrees to fully and expeditiously participate in any and all advertising, sales and promotional events and programs organized and/or conducted by Franchisor.

(c) Franchisee Expenditures. As of the date of this Agreement, Franchisee is not required to allocate any funds for local advertising, but Franchisor reserves the right to require Franchisee to do so in the future.

(d) Approval of Advertising. All advertising copy and other materials Franchisee proposes to use shall be in strict accordance and conformity with the standards, formats and specimens set forth in the Operations Manual. Franchisee agrees and acknowledges that the copyright for any advertising or other materials that Franchisee develops for the Studio shall automatically be assigned to Franchisor without any further action by the parties required. Additionally, Franchisee waives all moral or intellectual property rights to any materials developed, and will ensure all employees and contractors assign all copyright to Franchisor and waive all moral or intellectual property rights.

(e) Pre-Opening Advertising. Franchisee acknowledges and agrees that adequate pre-opening advertising is essential to the success of the Studio and agrees to conduct such advertising in connection with the opening of the Studio in accordance with Franchisor’s directions and assistance.

(f) Discounts and Coupons. From time to time as part of the advertising and promotional activities conducted by Franchisor, Franchisor may institute discount programs and issue coupons. Franchisee agrees to accept such coupons from customers and to redeem them in accordance with

Franchisor's policies then in effect and to participate in such discount programs. However, such programs shall in no way affect Franchisee's right to establish its own prices subject to Franchisor's right to stipulate minimum or maximum prices.

(g) No Fiduciary Duty. Nothing in this Section or anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust or agency duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision. Copies of Franchisor's periodic reports of the Brand Fund shall be available to Franchisee upon reasonable request.

(h) Email Address. Franchisee will obtain and maintain throughout the term of his Agreement an email address from the service provider specified by Franchisor and in the format required by Franchisor.

## **9. DUTIES OF FRANCHISEE**

In addition to its duties as set forth elsewhere in this Agreement, Franchisee agrees to perform the following:

(a) Authorized Products and Services. Franchisee will offer, sell, display and use (as applicable) at the Studio only those types, brands and styles of products and services, programs, computer hardware and software, equipment, fixtures, signs, furnishings, forms, and all such other products and services as may be specified by Franchisor from time to time. Franchisee may not offer any products or services that are not authorized by Franchisor from the Studio location. Neither Franchisee nor any of the Owners may operate any business or conduct any other activity other than the MODO YOGA franchised business licensed under this Agreement from the Studio location unless Franchisee receives Franchisor's prior written consent to conduct such business or activity at the Studio location (a "Permitted Side Business"), which consent it may withhold in its sole discretion. Neither Franchisee nor any of the Owners may offer or host any form of yoga teacher training or fitness teacher training or participate as a teacher in any yoga or fitness teacher training whatsoever, at any location, including but not limited to yoga teacher trainings or fitness teacher trainings held at the Studio (whether taught by Franchisee, Owner, or by a guest teacher).

(b) Suggested Prices to be Charged by Franchisee. Franchisee may in the ordinary course establish the prices to be charged for the goods and services sold by the Studio, but Franchisor reserves the right to stipulate minimum or maximum prices to be charged by Franchisee with respect to any sale, gift, exchange, loan, barter or refund related to the Studio. Franchisee agrees to comply with such directions from Franchisor concerning minimum or maximum prices. Such directions concerning prices may be contained in the order forms or packing slips which accompany goods purchased by Franchisee from Franchisor or its designated suppliers, in advertisements and promotional material prepared or arranged by Franchisor, or in the Operations Manual.

(c) Required Purchase and Use of Supplies.

(i) Franchisee shall purchase all supplies required for use in operation of the franchised business only from Franchisor or suppliers designated or approved by Franchisor. This includes the ongoing supplies to Franchisee of yoga mats, water bottles, apparel, as well as all other items which may be specified by Franchisor from time to time, and all other items which may or may not bear the Marks.

(ii) Franchisee agrees that Franchisor's supplies program and graphic and color standards are essential elements of the MODO YOGA franchise, and that Franchisor's specifications and quality control standards insisted upon for such supplies are of the utmost importance for the purposes of

maintaining standardization, uniformity, consistency and quality in all aspects of the operation of the franchised business.

(iii) It is an essential term of this Agreement that Franchisee shall conform to the specifications and quality control standards prescribed by Franchisor from time to time in respect of all supplies used by Franchisee during the term of this Agreement.

(iv) Franchisee agrees that any breach of Franchisor's specifications and quality control standards in respect of supplies shall be grounds for termination of this Agreement by Franchisor as specified elsewhere in this Agreement.

(v) Franchisor will provide its specifications and quality control standards in respect of supplies, and its list of designated or approved suppliers, which may be amended from time to time. Franchisor will only approve a supplier provided that such supplier's supplies conform with Franchisor's specifications and quality control standards.

(vi) Franchisor shall have the right to request samples of any supplies from Franchisee or from any supplier in order to ensure that all supplies being used in the Territory conform with Franchisor's specifications and quality control standards.

(d) Rebates. Franchisee acknowledges that Franchisor may designate or approve an Entity affiliated, associated or in a license relationship with Franchisor as a supplier from time to time. Franchisee acknowledges that Franchisor or its affiliate will be entitled to retain any direct or indirect benefit of all mark-ups, rebates, allowances and other similar receipts and advantages that Franchisor or its affiliate obtains from any supplier by reason of such supplier supplying products or services. Franchisee further acknowledges that Franchisor and its affiliates are under no obligation whatsoever to apply any part of such benefits to the benefit of Franchisee or to other franchisee generally. Franchisor and its affiliates may also earn (and retain in full) a profit from the sale of any products and services to franchisees (including Franchisee). Franchisee also acknowledges and agrees that the price of any products provided by Franchisor or its affiliate to Franchisee may be marked up above cost and Franchisor and its affiliate may retain any resulting profit for their own account.

(e) Payment Irregularities. In the event of any payment irregularities by Franchisee, Franchisor reserves the right to place Franchisee or to request any supplier to place Franchisee on a "no further delivery", "cash on delivery" or "prepaid" basis for all future purchases of supplies, until Franchisee is again able to satisfy Franchisor or the supplier, as the case may be, that it is able to meet its payment obligations in the normal course of business. Franchisee acknowledges that such steps in respect of suppliers may be required in order to preserve the buying relationship with that supplier for the benefit of Franchisor and its other franchisees.

(f) Substandard or Unauthorized Supplies and Services. In order to maintain quality, standardization, uniformity and consistency among all MODO YOGA studios, Franchisor reserves the right to require Franchisee to remove from its franchised business any products, supplies, or services that do not conform to Franchisor's specifications and quality control standards upon at least 24 hours' written notice to that effect. Should Franchisee fail to do so, Franchisor may enter the Studio for the purposes of such removal, and if Franchisor's entry becomes necessary as a result of Franchisee's failure to remove any such items from use by Franchisee, then Franchisee shall reimburse Franchisor for its reasonable costs and expenses associated with such removal, upon demand.

(g) Confidential Information and Operations.

(i) Confidential Information. Franchisee acknowledges that prior to or during the term, Franchisor may disclose in confidence to Franchisee or its Owners, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, Franchisor's business, Franchisor's vendor relationships, Franchisor's classes, or the construction, management, operation, or promotion of the Studio (collectively, "**Confidential Information**"), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, standards, sales and marketing techniques, knowledge and experience used in developing and operating Studios, including information in the Operations Manual; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Studios; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Studios use and/or sell; (v) knowledge of the operating results and financial performance of other Studios; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. "Confidential Information" does not include (a) information that is part of the public domain or becomes part of the public domain through no fault of Franchisee or its Owners, (b) information disclosed to Franchisee by a third party having legitimate and unrestricted possession of such information, or (c) information that Franchisee can demonstrate by clear and convincing evidence was within its legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

(ii) Nondisclosure of Confidential Information. Franchisor and its affiliates own all right, title, and interest in and to the Confidential Information. Franchisee will not, nor will it permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Operations Manual) to any other person, except to the extent necessary for its professional advisors and its employees to perform their functions in the operation of the Studio. Franchisee acknowledges that its use of the Confidential Information in any other business would constitute an unfair method of competition with Franchisor and its franchisees. Franchisee will be liable to Franchisor for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom it discloses Confidential Information. Franchisee must take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure and must implement any systems, procedures, or training programs that Franchisor requires. At Franchisor's request, Franchisee will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to Franchisor that identifies Franchisor as a third party beneficiary of such covenants with the independent right to enforce the agreement.

(h) Operation of Studio.

(i) Operation of Studio Facility. Franchisee shall participate in the operation and management of the Studio (personally through the Primary Person(s) (as defined below) during the first year of operation, and then, thereafter, either personally or through a manager that Franchisee employs to manage day-to-day operations at the Studio (the "**Manager**")) and shall diligently devote Franchisee's best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. The Studio must be directly operated by Franchisee or by the Manager. Franchisee shall operate and maintain the Studio only at the location designated herein and only in accordance with the business standards, procedures, policies, and techniques comprising the System as specified in the Operations Manual. In particular, and not in limitation of the foregoing, Franchisee shall participate in all customer loyalty and similar programs required by Franchisor. Franchisee acknowledges and agrees that such participation may involve accepting coupons issued to customers and discounting product prices.

Franchisee and its employees (as directed by Franchisee) will at all times give prompt, courteous, friendly and efficient service to all customers and adhere to the highest standards of honesty, integrity, good faith, fair dealing and ethical conduct in all dealings with customers, suppliers and the public. Franchisee shall conspicuously post at the Studio a notice to the effect that the Studio is a franchised business operated independently of Franchisor and under license from Franchisor.

(ii) Classes. Classes offered at and from the Studio are essential components of the System and shall be specified by Franchisor in its sole discretion, from time to time, in its Operations Manual. Franchisee shall offer all mandatory classes and shall not offer classes which are not so specified by Franchisor as mandatory or optional. All mandatory classes shall be taught by certified MODO YOGA teachers.

(iii) Karma Classes. Franchisee shall offer “**Karma Classes**” once a week. Karma Classes are classes held where participation is by donation. Franchisee shall donate all funds collected from Karma Classes (“**Karma Funds**”) to the charity of choice of Franchisee, or to shared karma fund projects voted on by the network of Studio owners. Notwithstanding the foregoing, Franchisee may first pay wages owed to the instructor that taught a given Karma Class using Karma Funds collected at such Karma Class prior to donating the balance of such Karma Funds as described in this paragraph. For greater certainty, Franchisee may not use any funds collected at Karma Classes to pay for any other costs that Franchisee incurs in hosting Karma Classes such as rent, utilities, wages for front desk staff, etc.

(i) Sanitation and Maintenance Standards. At its sole expense, Franchisee shall at all times maintain the interior and exterior of the Studio premises, including all of the fixtures, signs, and equipment, in a good, clean, attractive, and safe condition and repair.

(j) Condition and Appearance of the Studio. Franchisee agrees to maintain the condition, cleanliness, design and appearance of the Studio consistent with the standards and requirements of Franchisor (as specified in the Operations Manual or otherwise) for the appearance of all MODO YOGA studio locations (the “**Image**”). Franchisee agrees to effect such refurbishing and renovating of the Studio as Franchisor requires from time to time including, without limitation, replacement of worn out or obsolete equipment, and the repair or redecoration of the interior and exterior of the Studio location. If at any time in Franchisor’s opinion the general state of repair, or the appearance or cleanliness of the Studio, its equipment or decor do not meet the then applicable Image and standards, Franchisor may so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within 60 days after receipt of such notice and thereafter diligently continue a good faith and continuous effort to complete any such required cleaning, maintenance, replacement, redecorating or repair, Franchisor will have the right, but will not be obligated, to enter upon the Studio and effect such cleaning, maintenance, replacement, redecoration or repair of the Studio or decor on behalf of Franchisee and Franchisee will pay the entire costs of such work on demand.

(k) Remodeling/Improvements. Franchisor shall establish and publish specifications for the décor, furnishings, fixtures, signage, facility and equipment of the Studio. Franchisee, at its sole expense, shall from time to time make improvements, alterations, renovations, and upgrades to the Studio as Franchisor shall require in order for the Studio to meet the then-current specifications.

(l) Staffing Requirements. Franchisee shall maintain an adequate number of employees and trades at the Studio to ensure maximum customer satisfaction and consistent service. Franchisee will hire and train, at its expense, all employees of the Studio, and will be exclusively responsible for the terms of their employment and compensation. Except as described in Section 9(p) of this Agreement, Franchisor

shall not have any power to hire, fire, or control, in any manner whatsoever, the employees of Franchisee's Studio.

(m) Hours of Operation. Subject to any contrary requirements of regulatory authorities or Franchisee's lease, Franchisee shall operate the Studio at such minimum hours and on such days as may from time to time be prescribed by Franchisor and shall offer sufficient classes and inventory of goods and products to comply with customer service requirements described in the Operations Manual and satisfy its customers' needs.

(n) Equipment, Software, and Systems. Franchisee agrees to obtain, replace, change, update and maintain in proper working order at all times, at its sole cost, including all necessary repairs, maintenance, replacement and upgrades (to current industry standards), all equipment, software, computer and other systems that may be stipulated from time to time by Franchisor in the Operations Manual or otherwise communicated to Franchisee, including but not limited to software for scheduling classes and administering a reservation system for Franchisee's Studio and computerized bookkeeping, reporting and accounting, as well as such products, services, equipment, and systems which are not in existence at the date of this Agreement (referred to in this section as "**Equipment and Systems**"). Franchisee agrees to execute any and all necessary agreements and pay fees in connection with the leasing, licensing, maintenance and upgrade of any Equipment and Systems. Franchisee agrees that any Equipment and Systems implemented and maintained by Franchisee under this Agreement may include on-line access (electronic data interchange) hardware and software that will permit Franchisor to access all of Franchisee's computer-based information, and to read, download and copy any and all such information as may be required by Franchisor from time to time in accordance with this Agreement. Franchisee agrees to provide such access on a free and uninterrupted basis, to maintain all of its computerized records in an accurate, complete and absolutely current basis, and to comply with all directives of Franchisor as to the confirmation of all such data, software and hardware.

(o) Legal Compliance. At its sole expense, Franchisee shall comply with all federal, state, and local laws, ordinances and regulations applicable to the ownership and operation of the Studio, including but not limited to the regulations and standards of yoga instructor licensing association or its equivalent for the Territory. Franchisee shall consult with its own independent advisors to the extent necessary to comply with all applicable laws, ordinances, and regulations. Franchisor shall not be responsible for the operation of Franchisee's Studio. Whenever a provision of this Agreement provides for Franchisor's review and consent or approval, Franchisor's review shall not be to determine compliance with law, which compliance is the sole responsibility of Franchisee.

(p) Right of Inspection and Operations of Studio by Franchisor. Franchisee shall allow the agents and representatives of Franchisor to enter the Studio at any time for the purpose of examining and inspecting fixtures, furnishings, signs, equipment, products, supplies, and employees of the Studio to determine whether Franchisee is in compliance with this Agreement and the standards and policies of the System. In order to monitor the System, Franchisor shall have the right to take classes offered at the Studio, free of charge, conduct quality assurance audits, and conduct customer surveys. If Franchisee shall fail to operate the Studio in accordance with the System, Franchisor may, at its option, and at Franchisee's expense, and in addition to any other remedies of Franchisor hereunder place a representative of Franchisor in the Studio to supervise Franchisee until Franchisor shall determine in its sole discretion that there is compliance.

If (a) Franchisee is unable, in the opinion of Franchisor, to carry on normal operation of the Studio or (b) the Studio is operated in manner that is, or threatens to, materially injure the goodwill and reputation of the Studio and MODO YOGA system, then in order to prevent any interruption of the business of the

Studio or any injury to its goodwill and reputation, Franchisor may operate and manage the Studio on Franchisee's behalf. If Franchisor should choose to operate the Studio, Franchisor will not be obligated to continue to do so and may in fact discontinue such operation at any time and without notice. All revenues from the operation of the Studio during such period of operation by Franchisor will be kept separate for the account of Franchisee and all expenses, including reasonable compensation and expenses for Franchisor's representatives, will be charged to Franchisee. During such time, Franchisee will indemnify and hold harmless Franchisor from any loss or deficit suffered by Franchisor as a result of its temporary operation of the Studio, regardless of the cause, and from any and all claims, losses or damages of any nature whatsoever incurred by Franchisor and its representatives during such operation.

(q) Books and Records. Franchisee shall keep books of account in accordance with good accounting practices which fully and accurately disclose Gross Revenues and, upon Franchisor's request, shall deliver to Franchisor by the 15<sup>th</sup> day of the following month, monthly financial statements which accurately reflect current results of the operation of the Studio. Franchisee agrees to use the fiscal year and reporting periods as may be designated by Franchisor from time to time for purpose of budgeting, reporting, and accounting as required under this Agreement. Franchisee shall permit Franchisor, or its agent or representative to inspect and examine Franchisee's books and records at reasonable times. If any audit discloses that reported Gross Revenues of Franchisee have been understated, Franchisee shall immediately pay to Franchisor the amounts due, together with late charges as provided herein. If such audit discloses that the reported Gross Revenues of Franchisee for the period audited have been understated by 3% or more, Franchisee shall reimburse Franchisor for any and all expenses incurred in connection with or attributable to the audit including without limitation accounting and legal fees and travel expenses, room and board and compensation for Franchisor's agents and representatives. Such payments shall be without prejudice to any other rights and remedies Franchisor may have under this Agreement or otherwise. Franchisee shall maintain the books and records of the Studio for at least three years.

(r) Enquiry by Franchisor. Franchisee authorizes Franchisor or its nominee to make enquiries of Franchisee's bankers, credit card companies, suppliers, trade creditors, employees, and customers as to their dealings with Franchisee. Franchisee authorizes any such banker, credit card company, supplier, creditor or customer to provide such information and/or documentation (including prior statements) to Franchisor as Franchisor may request.

(s) Required Disclosure. Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the Studio, including without limitation, earnings or other financial performance information. Franchisee agrees that Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor's request.

(t) Notification of Legal Proceedings. Franchisee shall notify Franchisor in writing within 10 calendar days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award, or decree of any court or government agency which may adversely affect Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder.

(u) Failure to Comply with Franchisor's Standards. In the event that Franchisee should fail to comply with and enforce Franchisor's specifications, quality control standards, operational standards, policies and guidelines as called for under this Agreement, then the following consequences shall be applicable:

(i) Franchisee shall pay all costs and expenses, including legal fees, incurred by Franchisor if Franchisor has to intervene in order to enforce Franchisee's compliance with Franchisor's specifications, quality control standards, operational standards, policies and guidelines;

(ii) Franchisor shall be entitled to report Franchisee's non-compliance to all franchisees and others belonging to the MODO YOGA system; and/or

(iii) this Agreement may be terminated for material breach after written notice of default as specified elsewhere in this Agreement.

(v) Adaptation of Agreements by Franchisee. Whenever Franchisor provides any form of agreement, or any provisions of or schedules to a form of agreement for use by Franchisee within the Territory, Franchisee shall be responsible to obtain an opinion from local counsel reasonably satisfactory to Franchisor that the said form of agreement, or provisions or schedules, do not violate any local laws or standards applicable within the Territory, and would be enforceable within the Territory pursuant to applicable local law. Where required, Franchisee shall be responsible for adapting such form of agreement, or provisions or schedules, to meet the aforesaid requirements, provided that all such changes shall first be reasonably approved by Franchisor.

(w) System Changes. Franchisor shall have the right to make changes, modifications or additions to the System from time to time by revising the Operations Manual or providing written notice to Franchisee. Franchisee acknowledges that some of such changes may involve expenditures due to the addition or substitution of new equipment, routines, services, products, or supplies, or an alteration of specifications or standards. Upon receipt of notice, Franchisee agrees to comply with and carry out all such changes, modifications or additions promptly as required and within the time specified by such notice, as if they were a part of the System at the time of execution of this Agreement. In the event that any improvement or addition to the Operations Manual, the System, or the Marks is developed by Franchisee, then Franchisee grants to Franchisor a perpetual, irrevocable, world-wide, exclusive, royalty-free license, with the right to sub-license such improvement or addition.

(x) Rectification of Defaults. Franchisee shall promptly rectify all defaults or failures to perform any of its obligations under this Agreement upon receipt of written notice from Franchisor.

(y) Full-Time and Best Efforts. Unless otherwise approved in writing by Franchisor, Franchisee shall devote its full time and best efforts to actively conducting the franchised business within the Territory during the term of this Agreement and in accordance with the terms and conditions of this Agreement. If Franchisee is an Entity, Franchisee shall designate a Majority Owner of Franchisee or one of the individuals comprising the Majority Owner Group of Franchisee to be the person(s) who is/are to be active in the day-to-day operations of the franchised business (the "**Primary Person(s)**"). If Franchisee wants to have the Studio operated on a full-time basis by someone other than Franchisee or the Primary Person(s), Franchisee must first obtain Franchisor's written consent, which consent can be arbitrarily withheld. Any Manager approved by Franchisor must successfully complete all training requirements (at Franchisee's sole cost) of Franchisor and be hired by Franchisee to operate the Studio on a full-time basis. If at any time Franchisor determines in its sole discretion that the Manager is failing to adequately comply with the System requirements, Franchisor can require on 30 days' notice that Franchisee and/or the Primary Person(s) (or some other individual acceptable to Franchisor) take over the full-time operations of the Studio. Franchisee will be solely responsible for the supervision and management of the Manager and is responsible for all costs of employment, benefits, severance, termination or related expenses with respect to any Manager hired by Franchisee.

(z) Organizational Documents. If Franchisee is an Entity, then copies of Franchisee's organizational documents, including the resolutions of the Board of Directors or Board of Managers authorizing entry into this Agreement, will be promptly furnished to Franchisor on request.

(aa) Transfer and Issuance of Securities. If Franchisee is a corporation, then Franchisee will maintain stop transfer instructions against the transfer of any of its securities with voting rights, and all of its securities will bear on their face the following printed legend:

“The transfer of the securities represented by this certificate is subject to the terms and conditions of a Franchise Agreement with Modo Yoga International, Inc. Reference is made to the provisions of that Franchise Agreement and to the organizational documents of this Corporation.”

## 10. INSURANCE

(a) Scope of Coverage. At all times during the term of this Agreement, Franchisee shall maintain in full force and effect at its sole cost and expense: (i) property coverage to the amount of the full insurable value of all of Franchisee's property of every kind (at a replacement cost valuation), including leasehold improvements made by the landlord of the Studio location, property of others for which Franchisee is legally liable as a bailee, leased equipment, stock and any other contents of every description, on an “all risks” basis, including coverage for conventional loss due to an insured peril; (ii) Commercial General Liability Insurance with minimum limits of liability of \$1,000,000 per occurrence, and \$2,000,000 in the aggregate, including premises liability, professional liability products and completed operations, personal and advertising liability and such other limits and coverages as Franchisor shall designate from time to time; and (iii) business interruption insurance. Franchisee shall also maintain in full force and effect at its sole cost and expense, workers compensation insurance as required by law. Franchisor and all other subsidiaries, affiliates and other parties designated by Franchisor from time to time shall be named as additional insureds. Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage, which certificates shall be renewed and provided annually and shall contain such detailed information as Franchisor may from time to time request, and Franchisee shall also provide Franchisor with full and complete copies of any and all of the above policies including copies of any renewals or modifications thereto upon request of Franchisor. Franchisee shall cause the companies to agree by endorsement or separate written document that Franchisor shall be given at least 30 calendar days' prior written notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy. Upon failure of Franchisee to maintain in effect any of the insurance required, or to furnish to Franchisor satisfactory evidence of such insurance, Franchisor may, in its discretion, obtain insurance coverage on behalf of Franchisee, and Franchisee agrees to promptly execute applications or instruments required to obtain any such insurance and to pay to Franchisor, on demand, all costs, premiums and other expenses incurred by Franchisor.

(b) Franchisee to Report Claims. Franchisee will promptly report (but in any event, no later than three business days) all claims or potential claims against Franchisee, Franchisor or the Franchised Business to its insurer and Franchisor.

## 11. INDEMNITY

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold Franchisor, its affiliates, and Franchisor's and its affiliates' associates, licensors, officers, directors, owners, employees, agents, representatives and assignees (the “**Indemnified Parties**”) harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to (i) Franchisee's actions or failure to act, whether personal or in connection

with the operation of the Studio, (ii) any other actions or failure to act by Franchisee, its agents or representatives, or (iii) any breach of this Agreement. For purposes of this indemnification, “**claims**” means and includes all obligations, actual and consequential damages, losses, claims, judgments, demands, liens, reckonings, accounts and costs (including but not limited to legal expenses), whether legal proceedings are commenced or not, to which any of the Indemnified Parties will or may be come liable for, incur, or suffer. Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any claim. Franchisee shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Franchisee agrees to cooperate fully with Franchisor in any other claims brought by or against Franchisor. The defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by Franchisee on an Indemnified Party’s behalf, shall be at the sole cost and expense of Franchisee, who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse an Indemnified Party for all expenses incurred therein, including legal fees. Further, an Indemnified Party shall have the right independently to take any action it may deem necessary, in its sole discretion, to protect and defend itself against any threatened action subject to indemnification hereunder, without regard to expense, forum or other parties that may be involved.

## **12. MARKS AND TRADE DRESS**

(a) Ownership of Marks and Goodwill. Franchisee’s right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the Studio in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that Franchisor owns and has the right to use and license the use of the Marks and that they are valid trademarks. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, this Agreement or Franchisor’s rights and use in connection therewith, Franchisor’s ownership or use of, application for, or registration of, or the validity or enforceability of, any of the Marks. Franchisee also agrees not to acquire, register, attempt to register, or use any trademarks that are similar or identical to the Marks other than as specifically authorized by this Agreement. Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of Franchisor and does not give Franchisee any ownership interest or other interest in or to the Marks.

The Marks and other aspects of the System are subject to replacement, addition, deletion, and other modification by Franchisor in its sole discretion. Franchisee expressly understands and acknowledges that this includes Franchisor’s right to substitute different names and Marks (including the primary “MODO YOGA” name and mark) for use in identifying the System, the Studio and/or other franchised businesses operating under the System and/or the Marks (i.e., it may rebrand the System, including the Studio, under a different name and mark). If any such action is taken by Franchisor, Franchisee will promptly accept and use such replacement, addition, deletion, and other modification, and, in the case of the System, display such changed Marks as if they were part of the System as of the effective date of this Agreement (and replace, add, remove or modify the Mark(s) that have been so changed), and Franchisee will bear the cost of conforming the Studio to any such replacement, modification, addition, deletion, or other change; provided that, in the absence of an urgency communicated by Franchisor in its commercially reasonable discretion, Franchisee shall have a period of one year to conform the Studio to Franchisor’s new requirements.

(b) Limitations on Franchisee’s Use of Marks and Trade Dress. If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall not use any of the Marks or similar words or colorable imitations thereof as

part of any name of any Entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the Studio without the prior written consent of Franchisor, or as expressly permitted in the Operations Manual. Franchisee in displaying the Mark at the Studio will display a notice to the public in the form and context directed by Franchisor stating that the Studio is operated under a license from Modo Yoga International, Inc. and the Marks are used under such license.

(c) Defense of Trademarks.

(i) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or of any of Franchisor's copyrights in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks and copyrighted material in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(ii) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, or is using any of Franchisor's or its affiliate's copyrights, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event Franchisor undertakes such action, it shall have the authority and power of attorney to defend or settle such action. Franchisee agrees to render such assistance as Franchisor shall reasonably demand to carry out the prosecution of any such action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

(d) Copyright. Franchisee acknowledges that Franchisor has developed, and may further develop during the term of this Agreement, certain yoga and fitness routines, designs (e.g. posters, business cards and studio signs), and certain other word combinations and other materials designated for use by Franchisee. Franchisee acknowledges that Franchisor and/or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement.

(e) Franchisee's Website. Franchisor may, in its sole discretion, permit or require Franchisee to operate, maintain and update, at its sole cost, a website (the "**Franchisee's Website**") using the domain name and an approved website template provided by Franchisor. The form, content and appearance of Franchisee's Website, and any modifications thereto, must comply with the System standards as set out in the Operations Manual or as otherwise specified by Franchisor.

(f) Social Media. Franchisor may, in its sole discretion, permit or require Franchisee to participate in social media sites such as Facebook, Twitter and Instagram using the Marks, provided that any such activity or content posted on the internet by Franchisee complies with all applicable guidelines and policies in the Operations Manual or as otherwise specified by Franchisor.

(g) Domain Name. Franchisee acknowledges that Franchisor's domain name is the sole property of Franchisor and its affiliates. Franchisee will not, directly or indirectly, use, register, obtain or maintain a registration for any internet domain name, address, or other designation that contains any Mark or any mark that is in Franchisor's sole opinion confusingly similar, including misspellings and acronyms. Upon Franchisor's request, Franchisee must promptly take all steps to cancel or transfer to Franchisor or its designee any such domain name, address, or other designation under its control.

### **13. NON-COMPETITION**

(a) Franchisee acknowledges that Franchisor could not protect the Confidential Information against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among franchisees in the System if Franchisee held interests in any competitive business. Franchisee acknowledges Franchisor's right to protect the integrity of the Marks and brand and the specific manner in which MODO yoga and other MODO fitness classes are taught, including without limitation the specific sequence of postures and practice associated with the System and the Marks. Franchisee acknowledges that Franchisor grants the rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, neither Franchisee nor any Owner shall at any time during the term of this Agreement, individually or in conjunction with any person or Entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business or undertaking involving or related to operating a yoga or fitness studio that offers the same or similar services that are included in the System, any business or undertaking that otherwise offers yoga or fitness instruction that is competitive with any of the services offered within the System, or any business or undertaking that offers training or instruction to yoga or fitness instructors (collectively, a "Competing Business"). However, if Franchisor, in its sole discretion, consents in writing, Franchisee (if Franchisee is an individual) and any Owner may teach yoga or fitness classes (except yoga teacher training or fitness teacher training classes), at studios that are not MODO YOGA studios and that are not within any existing MODO YOGA studio's territory including the Franchisee's Territory, provided that such activity, in Franchisor's absolute and sole discretion, does not conflict with Franchisee and/or Owner's obligations under this Agreement, including without limitation, Sections 9(h) and 9(y) and such activity is not conducted in conjunction with any of the Marks.

(b) In addition, for one year after the termination or expiration of this Agreement, neither Franchisee nor any Owner shall carry on, be engaged in or advise in the establishment or operation of any business involving or related to the operation of a yoga or fitness studio or similar businesses described in section (a) above except (i) pursuant to Franchise Agreements with Franchisor, or (ii) if Franchisee is not then a party to any other Franchise Agreement with Franchisor, only at a site that is at least 10 miles from any Modo Yoga studio (including Franchisee's former Studio) that is operating or being developed. Franchisee agrees and acknowledges that this restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but is rather to protect the goodwill and interest of Franchisor and the System.

(c) Neither Franchisee nor any Owner shall at any time during the term of this Agreement, individually or in conjunction with any person or entity, directly or indirectly, divert or attempt to divert any business or customer of a MODO YOGA studio including the Studio to any competitor.

(d) Covenants contained in this Section 13 shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on Franchisee's activities are divisible so that if any provision of the restrictions is invalid, that provision shall be automatically modified to the extent necessary to make it valid.

(e) Other than with respect to any Owners, Franchisee shall require and obtain execution of agreements similar to those set forth in this Section 13 including agreements applicable upon the termination of a person's relationship with Franchisee that shall be effective for a period of one year after such termination from all officers, directors, and holders of a beneficial interest of 10% or more of the equity of any entity directly or indirectly controlling Franchisee, if Franchisee is an entity.

(f) All agreements required by this Section 13 shall be in forms satisfactory to Franchisor, including without limitation specific identification of Franchisor as a third-party beneficiary with the independent right to enforce them.

#### **14. ASSIGNMENT AND TRANSFER**

(a) By Franchisor. This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein. Franchisee agrees to execute any forms that Franchisor requests to complete any such assignment by Franchisor.

(b) By Franchisee.

(i) The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is an Entity, of its Owners. Accordingly, neither Franchisee nor any Entity which directly or indirectly controls Franchisee, if Franchisee is an Entity (including any Entity that controls, directly or indirectly, any general or limited partner if Franchisee is a partnership), shall effect a Transfer (as defined below) without Franchisor's prior written consent and without offering Franchisor a right of first refusal (if applicable in accordance with Section 14(c) of this Agreement). Any purported assignment or Transfer, by operation of law or otherwise, which does not have the prior written consent of Franchisor, will be null and void and shall constitute a material breach of this Agreement for which Franchisor may immediately terminate this Agreement. Notwithstanding the foregoing, if Franchisee is an individual, Franchisee may, with the prior written consent of Franchisor, assign this Agreement to an Entity wholly-owned by Franchisee, without payment of a transfer fee and without being subject to Franchisor's right of first refusal, provided that Franchisee notifies Franchisor in advance of the assignment, provides Franchisor with all documents Franchisor deems necessary or advisable which may include, without limitation, an assumption agreement and personal guarantee by Franchisee as an individual, assigns the lease to the transferee Entity, and reimburses Franchisor for its expenses (including all of its legal costs) incurred in administering and preparing the assignment documentation, if any.

(ii) For purposes hereof, "**Transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by

Franchisee, in whole or in part, of any interest in this Agreement, any interest in the Studio or the assets of Franchisee's business, or any interest in the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is an Entity. "**Transfer**" shall also include, in the event of Franchisee's death, a transfer to the surviving spouse, heirs, estate or other representative of Franchisee (the "**Survivor**").

(iii) Prior to the proposed Transfer, Franchisee must comply with the terms of Franchisor's transfer policy in effect at the time of the Transfer. As part of its transfer policy, Franchisor may require fulfillment of any or all of the following conditions prior to granting its consent to any Transfer:

(A) there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other Agreement with Franchisor or any of its affiliates;

(B) all obligations, monetary or otherwise, of Franchisee to Franchisor and affiliates and suppliers of Franchisor will have been satisfied in full;

(C) the physical premises of the Studio shall be in complete compliance with Franchisor's then-current standards or, at the discretion of Franchisor, the transferee shall reconstruct or renovate the Studio and install such fixtures, accessories, furnishings, and equipment necessary to comply with Franchisor's then-current standards, at the transferee's expense. If the proposed Transfer is (a) to a Survivor or (b) to a current or new shareholder of Franchisee and would result in a change in ownership of less than 25% of the voting shares of Franchisee, the requirement under this Section 14(b)(iii)(C) will not be applicable;

(D) if required, the lessor of the Studio premises has consented to Franchisee's sublease or transfer of the lease or sublease for the premises to the proposed transferee;

(E) the proposed transferee (or proposed new shareholder of Franchisee) shall be qualified according to Franchisor's then-current standards for new franchisees, and shall have successfully completed Franchisor's studio owner training program;

(F) the proposed transferee shall have executed Franchisor's then-current standard franchise agreement for a term of years equal to the remaining term of this Agreement, which franchise agreement may differ materially from the terms of this Agreement and may, in particular, provide for higher amounts of Royalty Fees and Brand Fund Fees and changes to the Territory including a reduction in size of the Territory (provided that any change to the Territory by Franchisor shall be made in its sole discretion, acting reasonably and in good faith with consideration to factors including but not limited to current market analyses), the proposed transferee shall have executed all ancillary agreements then required by Franchisor, and all holders of an equity interest in the proposed transferee (if an entity) or in Franchisee (if the proposed transferee is a new shareholder of Franchisee) shall have executed Franchisor's then-current form of Guarantee;

(G) Franchisee shall have paid to Franchisor a transfer fee equal to the lesser of (i) 5% the sale price of the Studio or (ii) \$5,000 plus all applicable taxes. In addition, Franchisee shall reimburse Franchisor for any and all reasonable legal fees and other costs and expenses incurred by Franchisor in relation to the Transfer. Notwithstanding the foregoing, if such Transfer is to (a) a Survivor or (b) to a current or new shareholder of Franchisee and would result in a change in ownership of less than 25% of the voting shares of Franchisee, then no transfer fee is payable (but for greater certainty, Franchisee shall still be required to pay Franchisor's legal fees and other costs and expenses incurred, if any). Where the Transfer would result in a change of ownership of less than 25% of the voting shares of Franchisee and (x) includes transferring or issuing any shares (voting or non-voting) of Franchisee to a new shareholder

that will be involved in the operations of the Studio or (y) includes transferring or issuing any voting shares of Franchisee to a new shareholder (whether or not such new shareholder will be involved in the operations of the Studio), then Franchisee shall submit a new franchise application in respect of such Transfer to Franchisor and also pay Franchisor a non-refundable processing fee of \$500 plus all applicable taxes, as consideration and reimbursement for Franchisor's review of the application for the proposed Transfer.

(H) Franchisee and each of the Owners shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its officers, directors, employees, affiliates, shareholders, representatives and agents (to the extent permissible under applicable laws);

(I) any obligations of the transferee to Franchisee shall be subordinated to the transferee's obligations to Franchisor under the Franchise Agreement it enters into with Franchisor;

(J) if the proposed Transfer is to a business entity, Franchisee must own such business entity and execute a performance guaranty; and

(K) Franchisee must transfer this Agreement together with all other agreements it has entered into with Franchisor and all rights thereunder to the transferee.

(iv) Franchisor's consent to any Transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its Owner(s), or of Franchisor's right to demand strict compliance with this Agreement, and Franchisee and each Owner will remain bound by all of the terms and conditions of this Agreement.

(v) No interest in this Agreement or the Franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of any Transfer or otherwise.

(vi) Franchisee expressly acknowledges and agrees that the granting of approval by Franchisor pursuant to this article shall not give rise to any liability on the part of Franchisor either to Franchisee, the transferee or to any other party, and Franchisee shall indemnify and save Franchisor, its affiliates and their respective shareholders, directors, officers, employees and agents harmless from all fines, suits, proceedings, claims, demands or actions of any nature or kind whatsoever, directly or indirectly arising out of, or in any manner whatsoever associated or connected with, Franchisor's granting of such approval or the transferee's operation of the Studio, and against any and all damages, costs, expenses, fines, penalties and fees (including without limitation, reasonable legal expenses) incurred by or on behalf of Franchisor or any of its affiliates or their respective shareholders, directors, officers, employees or agents in respect thereof.

(c) Right of First Refusal. Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the Transfer. If the proposed transferee is not partially or wholly owned by a Majority Owner that is a current MODO YOGA franchisee or a Majority Owner Group that is comprised of current MODO YOGA franchisees, then Franchisor shall have a right of first refusal in respect of the Transfer. In such case, within 60 calendar days of receipt of the complete information and documents by Franchisee, Franchisor will inform Franchisee (i) whether it will exercise its right of first refusal, and (ii) if not, whether it will consent to the Transfer. In the event that Franchisor notifies Franchisee that it will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the Transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed Transfer (the "Offer"). Notwithstanding the foregoing, Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee in the Offer which are

merely incidental to the Transfer (e.g., employment agreements in favor of individuals, and brokers or finders fees to be paid by the proposed transferee to Franchisee or to any Owner), and Franchisor may pay the entire consideration in cash on closing and advance the closing date to any date prior to the closing date stipulated in the Offer. Moreover, Franchisor shall have not less than 60 calendar days from the delivery of Franchisor's notice of exercise to consummate the Transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transferee, Franchisee may consummate the proposed Transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor and in compliance with this Section 14. No transfer fee shall be payable by Franchisee in the event Franchisor exercises its right of first refusal.

(d) Death or Permanent Disability. If Franchisee or an Owner dies or is permanently disabled in a manner that prohibits operation of the Studio, the Survivor or, in the case of permanent disability, the representative of Franchisee shall, within 90 calendar days of such death or determination of permanent disability, either meet all of the qualifications required of franchisees or shall transfer this Agreement to a third party approved by Franchisor.

## **15. OPERATION IN THE EVENT OF ABSENCE, DISABILITY OR DEATH**

The parties hereto acknowledge that it is imperative that the Studio be operated without any interruption and in a manner that will not cause harm to the Studio or the System. In order to insure such continued operation, in the event that Franchisee is not able to operate the Studio, by reason of illness, disability, death, or otherwise, and within 60 calendar days of such illness or death, Franchisee's executor or representative has not transferred the Franchise in accordance with the provisions of this Agreement, Franchisee authorizes Franchisor to operate the Studio for as long as Franchisor deems necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement. All proceeds from the operation of the Studio during such period of operation by Franchisor shall be separately accounted for, and the expenses of the Studio, including reasonable compensation and expenses for Franchisor's representative(s), shall be charged to said proceeds. If Franchisor, in its sole discretion, temporarily operates the Studio as provided in this section, Franchisee agrees to hold harmless and fully indemnify Franchisor and any representative(s) of Franchisor who may act hereunder.

## **16. DEFAULT AND TERMINATION**

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

(a) With Notice and No Opportunity to Cure. This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "**good cause**." If:

(i) Franchisee becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state, or federal bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Franchisee within 90 calendar days;

(ii) Franchisee abandons the Studio by failing to operate it for 5 consecutive business days or for any shorter period in such circumstances that render reasonable the conclusion that Franchisee

does not intend to continue operating the Studio, unless such failure is due to disaster or similar reasons beyond Franchisee's control;

(iii) Franchisee has made any material misrepresentation or omission in the application for the Franchise or in any report that Franchisee submits to Franchisor pursuant to this Agreement;

(iv) Franchisee or any Owner is convicted by a trial court of, or pleads no contest to, a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor or the System;

(v) Franchisee attempts to make or makes an unauthorized assignment, encumbrance or other Transfer of Franchisee's rights or obligations under this Agreement;

(vi) Franchisee is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(vii) Franchisee makes any unauthorized use of the Marks or Confidential Information or makes any duplication or disclosure of any Confidential Information including but not limited to any portion of the Operations Manual;

(viii) Franchisee fails on three or more separate occasions within any 12-month period during the term of this Agreement to pay on a timely basis any fees payable hereunder or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(ix) Franchisee shall at any time have the Studio or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the Franchise granted hereunder or the goods and chattels of Franchisee;

(x) Franchisee fails, for a period of three business days after notification of non-compliance, to comply with any federal, state, or local law or regulations applicable to the operation of the Studio;

(xi) Franchisee intentionally under-reports its Gross Revenues to Franchisor;

(xii) Franchisee fails to transmit to Franchisor immediately upon receipt any report from any health department or comparable agency in connection with the Studio;

(xiii) a judgment against Franchisee in the amount of more than \$5,000 remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than 30 calendar days;

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

(xv) if the United States government designates Franchisee or any of its Owners a "specially designated national" or "blocked person";

(xvi) an approved Transfer is not completed within the designated time following the death or permanent disability as provided for in Section 14(d) hereof;

(xvii) an order is made or resolution passed for the winding-up, dissolution or liquidation of Franchisee;

(xviii) the lease or sublease of the Studio premises expires or is terminated for any reason;  
or

(xix) Franchisee has in any 12-month period 5 or more material unresolved customer complaints and/or complaints from employees or independent contractors of Franchisee with respect to the operation or management of the Studio.

(b) With Notice and Opportunity to Cure. This Agreement shall terminate upon Franchisee's failure to cure any of the following within the time period provided below, each of which is deemed to be "good cause":

(i) non-compliance with any requirement in this Agreement not otherwise provided for in this Agreement or the Operations Manual or prescribed by Franchisor within 14 calendar days after notice thereof is delivered to Franchisee; provided however, that if any default cannot be reasonably cured within 14 calendar days, Franchisee must commence curing such default forthwith after notice is delivered to Franchisee and Franchisor shall reasonably extend the time period within which such default may be cured;

(ii) failure to make payments to Franchisor for any amounts due within 5 calendar days after notice thereof is delivered to Franchisee;

(iii) misuse or any unauthorized use of the Marks or any other conduct that materially impairs the goodwill associated with them or Franchisor's rights in them within one calendar day after notice thereof is delivered to Franchisee; or

(iv) failure to remove, take down, and delete from any website or social media website or platform, any material that is posted, linked, or otherwise published by Franchisee, that in the sole discretion of Franchisor might impair the goodwill associated with the Marks, within two hours after notification thereof is delivered to Franchisee. Notwithstanding the notice provisions in Section 24 of this Agreement, such notification may be delivered or communicated to Franchisee by Franchisor verbally or in writing by any means including, but not limited to, phone, text message, and email.

(c) No Waiver. The description of any default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

(d) Enforcement. Franchisee acknowledges that the decision to enforce or not to enforce compliance with its rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

(e) Franchisor May Cure Default. In addition to all other remedies granted in this Agreement, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement, Franchisor may, at its sole option immediately or at any time thereafter, without waiving any claim for breach and without notice to Franchisee, cure such default for the account of and on behalf of Franchisee. The costs and expenses incurred by Franchisor in curing any such

default, plus an administrative fee equal to 15% of such costs and expenses, will be due and payable by Franchisee on demand.

(f) Liquidated Damages for Termination due to Breach. In addition to all other remedies granted in this Agreement, if this Agreement is terminated by Franchisor due to Franchisee's default hereunder in accordance with the terms of this Agreement, Franchisee shall pay Franchisor in immediately available funds (as liquidated damages and not as a penalty) an amount equal to the sum of Royalty Fees and Brand Fund Fees that were payable to Franchisor over the 12-month period preceding Franchisor's notice of termination, multiplied by the number of years remaining in the then-current term.

## **17. TERMINATION BY FRANCHISEE**

(a) Early Termination. Franchisee may terminate this Agreement before the expiration of the term if, and only if:

(i) Franchisee provides Franchisor with 90 days' prior written notice;

(ii) Franchisee executes a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its officers, directors, employees, affiliates, shareholders, representatives and agents (to the extent permissible under applicable laws);

(iii) Franchisee pays Franchisor in immediately available funds (as liquidated damages and consideration for Franchisor allowing Franchisee to terminate this Agreement early and not as a penalty) a \$10,000 termination fee plus an amount equal to the sum of Royalty Fees and Brand Fund Fees that were payable to Franchisor over the 12-month period preceding Franchisee's notice of termination, multiplied by the number of years remaining in the then-current term;

(iv) Franchisee is in good standing under this Agreement at the time it provides notice of termination to Franchisor and upon termination (i.e., Franchisee is not in default of any obligations, terms or conditions of this Agreement); and

(v) Franchisee complies with all post-termination provisions contained in this Agreement.

## **18. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION**

(a) Payment of Amounts Owed to Franchisor. Franchisee agrees to pay Franchisor immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and all other amounts owed to Franchisor or its affiliates which are then unpaid.

(b) Marks. After the termination or expiration of this Agreement, Franchisee and Owners shall:

(i) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, any imitation thereof or other indicia of the Studio in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association, or former connection or association, with Franchisor or the System;

(ii) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or an Owner a listing of the items destroyed) all supplies bearing any Marks;

(iii) refrain from engaging in a competing business as provided in Section 13 above;

(iv) stop using the Marks and the System and return to Franchisor all copies of the Operations Manual and all other Confidential Information, including, without limitation, client lists;

(v) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, websites and the like that are associated with the Studio and the System and cooperate with Franchisor in causing all applicable telephone companies and other service providers to reassign such numbers and addresses to Franchisor or its nominee including, without limitation, signing telephone transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(vi) turn over all customer information and data to Franchisor and destroy or delete any copies of such information or data in Franchisee's possession;

(vii) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(viii) assist in the smooth transition of the business to any successor franchisee;

(ix) refrain from making any disparaging comments regarding Franchisor or the System;

(x) take such steps as are necessary to change the décor, signage, flooring, fixtures, furniture and equipment and other elements of décor and trade dress so that the premises no longer resemble the Studio;

(xi) comply with all further requirements set forth in the Operations Manual or otherwise specified by Franchisor;

(xii) refrain from disclosing the contents of the Operations Manual to any person, reprinting or reproducing the Operations Manual, or any other Confidential Information in whole or in part for any purposes as provided in Section 9(f) above;

(xiii) pay to Franchisor, all of Franchisor's damages, costs, and expenses, including legal fees and costs, whether legal proceedings are commenced or not, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement, whether incurred prior to or subsequent to the termination or expiration of this Agreement; and

(xiv) fully cooperate with any exercise by Franchisor of its option to purchase the tangible assets of the Studio upon termination, such as any portion or all of the furniture, equipment, wall display signs, menu boards, inventory, and any other items, including execution and delivery of all transfer documentation, and delivery of all tangible assets to be purchased.

(c) Continuing Obligations. All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including without limitation, Sections 11, 12, 13 and 18,

shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

## **19. CONDEMNATION AND CASUALTY**

(a) Franchisee shall give Franchisor notice of any proposed expropriation of the Studio location or other proposed closure of the Studio that might occur for reasons outside of Franchisee's control, at the earliest possible time. If the Studio location or a substantial part of the Studio location is to be expropriated or closed (as aforementioned), the Studio may be relocated within the Territory. If such relocation is authorized and Franchisee opens a new Studio at such other location in accordance with Franchisor's specifications within 18 months of the closing of the old Studio (or such longer time that Franchisor reasonably agrees to in its sole discretion), the new Studio will thereafter be deemed to be the Studio franchised under this Agreement. If such expropriation or closure takes place and a new Studio does not, for whatever reason, become the Studio under this Agreement in accordance with this section, then this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(b) If the Studio is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the Studio, Franchisee will immediately notify Franchisor, will repair or rebuild the Studio in accordance with Franchisor's specifications, and will reopen the Studio for continuous business operations as soon as reasonably practicable (but in any event within 18 months after closing of the Studio or such longer time that Franchisor reasonably agrees to in its sole discretion), giving Franchisor advance notice of the date of reopening. If the Studio is not reopened in accordance with this paragraph, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

## **20. UNAVOIDABLE DELAYS**

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without limitation), government regulations, fire, flood, labor disputes, natural disasters, acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in said performance, but, in the event of delay, the parties shall extend the time of performance for a period of time equivalent to the length of delay, or for such other reasonable period of time as agreed to between the parties, provided that such extension shall not enlarge or extend the term of Agreement.

## **21. INVALID OR UNENFORCEABLE PROVISIONS**

If any provision of this Agreement, or its application to any person or circumstances, is invalid or unenforceable, then the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby.

## **22. RELATIONSHIP BETWEEN PARTIES**

(a) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture, joint employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the Studio, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts.

(b) It is acknowledged that Franchisee is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of Franchisor. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have any relationship with the other party's employees. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or payable by the other party in connection with the Franchise.

### **23. WAIVER**

No failure of Franchisor or Franchisee to exercise any power hereunder granted, or to insist on strict compliance by the other with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of the same or of a different nature; nor shall any delay or omission of either party to exercise any rights arising from a default affect or impair any rights as to said default or any subsequent default.

### **24. NOTICES**

All notices hereunder shall be personally delivered or sent by express mail, fax, or by e-mail to Franchisor and Franchisee at the respective addresses set forth on the first page of this Agreement, unless Franchisor and/or Franchisee shall from time to time change said addresses by written notice to the other as provided herein. Any notice sent by express mail shall be deemed received by the party to whom it is addressed on the next business day. Any notice given by fax or e-mail shall be deemed to be delivered on the day it is sent, if sent before 5 p.m., or on the day after it was sent, if sent at or after 5 p.m.

### **25. APPLICABLE LAW**

This Agreement shall be interpreted, governed, and enforced in all respects and aspects by the laws of the State of Delaware.

### **26. RESOLUTION OF DISPUTES**

(a) No Class Actions. The parties recognize that their relationship is unique and that each franchisee is situated differently from all other franchisees, and that no one franchisee can adequately represent the interest of others. Therefore, the parties agree that any arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(b) Cross Default. Where there is more than one agreement in existence between Franchisee and Franchisor, Franchisee agrees that Franchisor has the right to treat a breach or default of any one agreement between the parties as a breach or default of all or any of the other agreements between the parties, and any such breach or default of any one agreement shall be treated, in respect of any of the other agreements, as a breach or default of each such agreement in accordance with its own terms. For purposes of this section, an agreement between Franchisor or an affiliate of Franchisor and Franchisee or Franchisee's partner, shareholder, member, manager, executive officer, or affiliate will be deemed an

agreement between Franchisor and Franchisee. Also for the purposes of this section, an affiliate of Franchisee includes (i) any individual who is related by blood or marriage to a shareholder of Franchisee, (ii) any Entity of whose shares or interests are owned by a shareholder or shareholders of Franchisee or by any individual who is related by blood or marriage to such shareholder or shareholders, (iii) any Entity in which Franchisee owns any shares or has an ownership interest, either directly or indirectly, and (iv) any individual or Entity which owns shares or any other ownership interest in Franchisee, either directly or indirectly.

(c) Informal Dispute Resolution. Except with respect to any Excluded Dispute, prior to taking any legal proceedings, including submission of any dispute, controversy or claim arising under, out of or relating to, this Agreement and any subsequent amendments of this Agreement, including without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims (collectively, a “**Dispute**”) to mediation, one party shall notify the other party in writing of the existence and nature of the Dispute. The President, Chief Operating or other senior executive officer of each of Franchisor and Franchisee shall speak by telephone within 15 calendar days after delivery of the notice of dispute (the “**Dispute Notice**”) in an effort to amicably resolve the Dispute. “**Excluded Dispute**” means any claim of Franchisor relating to (i) preserving and protecting the Marks or other intellectual property rights under this Agreement, or to maintaining the uniformity and integrity of the System as called for under this Agreement, (ii) preserving its rights to maintain an action, (iii) collecting fees or payments that are owed to Franchisor or its affiliates by Franchisee, (iv) indemnification in favor of any Indemnified Party pursuant to this Agreement, or (v) non-compliance with Sections 12(d) or 13 of this Agreement.

(d) Mediation. The parties agree that, subject to any applicable franchise laws, any dispute other than an Excluded Dispute shall be submitted to non-binding mediation on an expedited basis in Los Angeles, California, administered by the Judicial Arbitration and Mediation Service (“**JAMS**”), or its successor, in accordance with the JAMS rules and procedures then in effect. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within 45 days of such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement, including, without limitation, an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties will cooperate with JAMS and with one another in selecting a neutral mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The mediator must be a retired judge or an attorney licensed to practice law in California and experienced in complex commercial transactions. If the parties are unable to select the mediator within 10 business days after receipt of the mediation notice by JAMS, then JAMS shall designate the mediator. The parties covenant that they will (i) participate in the mediation in good faith, (ii) share equally in the costs of the mediator and related JAMS administrative costs, and (iii) pay in advance the estimated reasonable fees and costs of the mediation, as may be specified in advance by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator and any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any reference, arbitration, litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may file a motion in the Superior Court of Los Angeles County to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including reasonable attorneys’ fees in

connection with such motion. If the Dispute is not resolved within 10 business days after the first mediation session, either party may (i) give written notice to JAMS and the other party that the mediation is terminated and (ii) submit any remaining Disputes to binding arbitration pursuant to Section 26(f).

(e) Arbitration. If the parties are unable to resolve the Dispute through mediation pursuant to Section 26(e), then the parties must submit the Dispute (except for Excluded Disputes, which may be submitted to arbitration or resolved through litigation in courts located in the Territory or Los Angeles County, California) to final and binding arbitration in Los Angeles, California, administered by JAMS, or its successor, in accordance with the rules and procedures of JAMS then in effect. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one neutral arbitrator who is a retired judge or attorney licensed to practice law in California who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, JAMS shall designate the arbitrator. The parties will cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS procedures. The arbitration shall be conducted in accordance with the JAMS Comprehensive Arbitration Rules and Procedures. Any party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS, with a copy to the other party. The party seeking arbitration must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have certain Disputes between the parties hereto adjudicated by a court or by a jury.

(f) Confidentiality. The parties shall keep confidential all communications, documents, evidence, pleadings, settlement agreements, arbitral decisions, or arbitral awards arising during any informal dispute resolution, negotiation, mediation or arbitration pursuant to this Section 26.

(g) Costs of Proceedings. The prevailing party in any arbitration will be entitled to recover as an element of such party's cost of arbitration, and not as damages, reasonable legal fees to be fixed by the arbitrator.

(h) Injunctive Relief. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of providing security for costs (and if such security shall nevertheless be required, the parties agree that the sum of \$100 shall be sufficient). The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

## **27. TERMINOLOGY**

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph, or

clause herein may require, as if such word had been fully and properly written in the appropriate number and gender.

## **28. ENTIRE AGREEMENT**

(a) This Agreement and the schedules attached hereto and incorporated herein, if any, contain the entire agreement of the parties and there are no representations (other than those contained in the Franchise Disclosure Document), inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth and duly executed in writing in this Agreement.

(b) Upon execution of this Agreement by Franchisor, all previous agreements, contracts, arrangements or undertakings of any kind relative to the Franchise granted herein are cancelled, and as between the parties hereto, all claims and demands are fully satisfied; provided, however, that this paragraph shall have no effect upon written agreement(s) signed by both parties, whenever executed, except to the extent that such written agreement specifically refers to and modifies or cancels this Agreement.

(c) The foregoing provisions notwithstanding, nothing in this or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

(d) This Agreement, although drawn by Franchisor, shall not be construed more strictly against one party than against the other party.

## **29. AMENDMENT OF AGREEMENT**

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto. No subsequently published manual or other publication of Franchisor shall materially alter the parties' rights and obligations under this Agreement. Notwithstanding the preceding sentence, Franchisor may unilaterally amend the Operations Manual from time to time.

## **30. COSTS AND EXPENSES OF ENFORCEMENT**

The prevailing party shall recover the reasonable costs and expenses, including reasonable legal fees, incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement.

## **31. CAPTIONS**

The section headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify, or aid in the interpretation or construction of this Agreement.

## **32. PERSONAL INFORMATION PRIVACY**

Franchisor has the right, and Franchisee hereby consents, to Franchisor using and disclosing all personal information collected from Franchisee and its Owners for any purpose connected with the System, and this Agreement and its enforcement, including providing or listing contact information for Franchisee and its principals and management employees for System communications purposes, including with landlords and other suppliers of goods or services, or prospective franchisees; posting on franchise system websites listing franchisees; in or in connection with Franchisor's disclosure documents and, where applicable,

prospectuses, statements of material facts and other securities filings and documents; and making reports or information received from Franchisee pertaining to the Studio, or portions thereof or extracts therefrom, available for inspection by prospective franchisees, to substantiate information contained in Franchisor's disclosure documents for prospective franchisees regarding the subject matter of such reports or information, as the same pertain to the Studio, the System, or the franchise system in general; or otherwise in compliance with applicable laws. Franchisor may also share such personal information where needed with Franchisor's professional advisors, lenders or affiliates or under agreements with third parties for purposes relating to the Studio, Franchise, System, or franchise system. Franchisor may give access to or transfer Franchisor's files containing such personal information to a prospective purchaser or purchaser of the franchise system. Franchisee is responsible to obtain any required consents from its Owners and management employees as may be necessary for it to comply with these provisions. Such personal information will be retained and reasonably safeguarded by Franchisor for such period of time as is reasonably required for legal or business purposes, after which it will be destroyed. Such personal information will not be used for any other purposes or disclosed to any other third parties by Franchisor without obtaining such further consents from Franchisee or others as are required under applicable law.

### **33. PRIVACY**

Franchisee must use the required forms, disclosures and privacy statements and adhere to the policies and practices of Franchisor regarding collection, disclosure, use, retention and safeguarding of personal information and data from time to time, and obtain all required consent or permission from all required parties regarding such collection, disclosure and use of information. Franchisee must display and disclose Franchisor's policies and statements regarding any personal information and data privacy, collection, disclosure, use, retention and safeguarding on Franchisee's Website and all web pages under Franchisee's control, management or administration, and in operating the Studio, in the manner and form specified or approved in writing in advance by Franchisor from time to time. Franchisee must abide by: (a) the Payment Card Industry Data Security Standards enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); (b) the Fair and Accurate Credit Transactions Act; and (c) all other standards, laws, rules, regulations or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments. If Franchisee suspects or knows of a security breach, Franchisee must immediately give Franchisor notice of such security breach and promptly identify and remediate the source of any compromise or security breach at its expense. Franchisee assumes all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers of the Studio.

### **34. CURRENCY**

The currency of this Agreement is U.S. currency and all references in this Agreement and all payments shall be in U.S. currency unless otherwise expressed or agreed upon by the parties.

### **35. POWER OF ATTORNEY**

If Franchisee does not sign and deliver to Franchisor any document which it is required to sign and deliver pursuant to this Agreement within the time period allowed for signature and delivery, Franchisee irrevocably appoints Franchisor as Franchisee's attorney with full power and authority to sign and deliver in the name of Franchisee any such document and to do all things necessary to comply in a timely manner with the provisions of this Agreement pursuant to which the power of attorney is being utilized, and Franchisee agrees to ratify and confirm all such acts of Franchisor as its lawful attorney and to indemnify and save Franchisor harmless from all claims, losses, or damages in so acting.

### **36. OWNERS AND GUARANTY**

If you are an Entity, all of your Owners must be listed on Schedule B to this Agreement, which may be updated from time to time after a Transfer is completed in accordance with this Agreement. Unless Franchisor, in its sole discretion, consents otherwise in writing, each Owner must execute the Guaranty and Franchisor's form of confidentiality and non-competition agreement. By executing the Guaranty, each Owner will be bound by the provisions contained in this Agreement, including the restrictions set forth in Section 13. Further, a violation of any of the provisions of this Agreement, the Guaranty, or any other related agreement by any Owner will also constitute a violation by Franchisee of its obligations under this Agreement. Franchisee represents that the individuals executing this Agreement under the Guaranty represent that they are its sole Owners.

### **37. FRANCHISEE ACKNOWLEDGMENTS IN CERTAIN STATES**

The following acknowledgements shall be made by and binding on Franchisee, unless this Agreement and/or the relationship between Franchisor and Franchisee is subject to state franchise registration and/or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin.

(a) NO REPRESENTATION, PROMISE, GUARANTEE OR WARRANTY WAS MADE TO INDUCE THE EXECUTION OF THIS AGREEMENT OR IN CONNECTION HEREWITH WHICH IS NOT EXPRESSLY CONTAINED HEREIN. FRANCHISEE RECOGNIZES THAT NEITHER FRANCHISOR NOR ANY OTHER PERSON CAN GUARANTEE FRANCHISEE'S SUCCESS IN THE STUDIO. BY THE EXECUTION AND ACCEPTANCE OF THIS AGREEMENT, THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF.

(b) FRANCHISEE ACKNOWLEDGES THAT HE OR SHE HAS HAD THE OPPORTUNITY, AND HAS BEEN ADVISED BY FRANCHISOR, TO CONSULT WITH FRANCHISEE'S OWN INDEPENDENT ADVISORS SUCH AS LAWYERS, ACCOUNTANTS, BANKERS AND BUSINESS CONSULTANTS REGARDING THIS FRANCHISE AND THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND THAT FRANCHISEE IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS OTHER THAN THOSE SET FORTH IN THIS AGREEMENT AND (IF APPLICABLE) FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.

### **38. SET-OFF BY FRANCHISOR**

Notwithstanding anything contained in this Agreement, upon the failure of Franchisee to pay Franchisor as and when due any amount of money provided for in this Agreement, Franchisor will have the right to deduct any and all such amounts remaining unpaid from any moneys or credit held by Franchisor for the account of Franchisee.

### **39. EFFECTIVE DATE**

This Agreement shall become effective and binding upon execution and delivery by Franchisor.

### **40. COUNTERPARTS AND ELECTRONIC DELIVERY**

This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent

electronic means of transmission and those counterparts will together constitute one and the same instrument.

**41. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES.**

The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

**FRANCHISOR:**

**MODO YOGA INTERNATIONAL, INC.**

Per: \_\_\_\_\_  
Name:  
Title:

**FRANCHISEE:**

(Name of Business, Partnership or Corporation)

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A TO FRANCHISE AGREEMENT**

**TERRITORY**

(1) Address of Studio: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2) Territory: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SCHEDULE B TO FRANCHISE AGREEMENT**  
**CORPORATE FRANCHISEE INFORMATION FORM**

(1) If Franchisee is a corporation, partnership, or other entity, there is set forth below the name, address, title, and the percentage ownership of each shareholder, partner or member of Franchisee:

<b>NAME</b>	<b>ADDRESS</b>	<b>TITLE</b>	<b>PERCENTAGE OWNERSHIP</b>

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

<b>NAME</b>	<b>ADDRESS</b>	<b>TITLE</b>

(3) The address where Franchisee’s records are maintained is:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(4) There is set forth below the name, address and title of each of Franchisee’s principal officers or partners who will be devoting their full time efforts to the operation of the licensed business.

<b>NAME</b>	<b>ADDRESS</b>	<b>TITLE</b>

NAME	ADDRESS	TITLE

(5) Financial year end of the Franchisee: \_\_\_\_\_

DATE: \_\_\_\_\_

\_\_\_\_\_  
Name and Title of Person Completing Form

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Completing Form

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Completing Form

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Completing Form

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Completing Form

\_\_\_\_\_  
Signature

## SCHEDULE C TO FRANCHISE AGREEMENT

### GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") with Modo Yoga International Inc. ("**Franchisor**") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including, but not limited to, monetary obligations and obligations of "Owners" specified in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto, including those obligations of and restrictions on the Franchisee and those obligations of and restrictions on the "Owners"; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee 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 and thereafter.

If any provision of this Guaranty and Assumption Agreement is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty and Assumption Agreement shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

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

GUARANTOR(S)

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

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

**EXHIBIT F**  
**HERITAGE ADDENDUM**

**MODO YOGA INTERNATIONAL, INC.  
RENEWAL ADDENDUM TO FRANCHISE AGREEMENT**

THIS RENEWAL ADDENDUM TO FRANCHISE AGREEMENT (“**Renewal Addendum**”) is made and entered into on \_\_\_\_\_ (the “**Effective Date**”) by and among MODO YOGA INTERNATIONAL, INC. (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”). Franchisor and Franchisee shall collectively be referred to as the “**Parties**.”

**RECITALS:**

- A. Franchisor and Franchisee entered into that certain Franchise Agreement dated \_\_\_\_\_ (the “**Original Franchise Agreement**”), pursuant to which Franchisor granted Franchisee the right to open and operate a MODO YOGA studio located at \_\_\_\_\_ (the “**Studio**”).
- B. The term of the Original Franchise Agreement expired in accordance with its terms on \_\_\_\_\_.
- C. Under the Original Franchise Agreement, Franchisee may renew the Original Franchise Agreement if Franchisee meets certain conditions, including execution of Franchisor’s then-current form of franchise agreement.
- D. Franchisee has elected to renew the Original Franchise Agreement by satisfying the renewal conditions, including execution of Franchisor’s current form of franchise agreement, as amended by this Renewal Addendum (the “**Renewal Franchise Agreement**”).

**NOW, THEREFORE**, for and in consideration of the terms and conditions herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

- 1. **Capitalized Terms.** Capitalized terms used and not otherwise defined in this Renewal Addendum shall have the meanings set forth in the Renewal Franchise Agreement.
- 2. **Franchise Fee.** Section 6(a) is hereby deleted in its entirety and replaced with the following:
  - (a) In consideration of the Franchise granted herein, Franchisee shall pay to Franchisor a renewal fee in the amount of \$1,000 (the “**Renewal Fee**”), in full, upon execution of this Agreement. The Renewal Fee is deemed to be fully earned immediately upon payment and is non-refundable.
- 3. **Continuing Royalty.** Section 6(b)(i) is hereby deleted in its entirety and replaced with the following:
  - (i) In addition to the Renewal Fee, Franchisee shall pay to Franchisor non-refundable monthly continuing royalties of \$350 per month (the “**Fixed Royalty Fee**”), plus non-refundable weekly continuing royalties of 2% of Franchisee’s Gross Revenues (the “**Variable Royalty Fee**” and together with the Fixed Royalty Fee, the “**Royalty Fees**”).
- 4. **Royalty Fees.** The last sentence of Section 6(b)(ii) is hereby deleted in its entirety.

5. **Marketing, Design and Brand Fund**. The second sentence of Section 8(a) is hereby deleted in its entirety and replaced with the following:

“In addition to all other payments required to be made by Franchisee to Franchisor hereunder, Franchisee agrees to contribute to the Brand Fund by paying to Franchisor weekly, on or before the Thursday of each week, an amount equal to 1% of all Gross Revenues for the immediately preceding week together with all applicable taxes (“**Brand Fund Fee**”).

6. **Brand Fund Fee**. The last sentence of Section 8(a) is hereby deleted in its entirety.
7. **Limitation on Fees**. The following shall be added to the Renewal Franchise Agreement as Section 6(k):

Notwithstanding anything to the contrary in this Agreement, Franchisee shall not be required to pay Franchisor more than \$40,000 in combined Royalty Fees and Brand Fund Fees in any single calendar year.

8. **Training**. In connection with the execution of the Renewal Franchise Agreement, Franchisee (or if Franchisee is an Entity, Franchisee’s Majority Owner or each person comprising the Majority Owner Group) or the Manager, as applicable, and those of Franchisee’s other personnel as Franchisor deems necessary, shall attend and successfully complete any retraining or refresher training courses as Franchisor may specify.
9. **Deleted Provisions**. Because the Studio is already operating, the following provisions do not apply and are hereby deleted in their entirety and replaced with the words “Intentionally Omitted”:
- a. Section 3(a) (Site Selection)
  - b. Section 3(g) (Opening)
  - c. Section 7(a)(i) through (iv) (Training and Support)
  - d. Section 8(e) (Pre-Opening Advertising)

10. **Renewal Franchise Agreement Otherwise in Full Force and Effect**. Except as expressly provided above, the Renewal Franchise Agreement shall be and remain in full force and effect.

11. **Release of Claims**.

- a. As of the Effective Date, in consideration for Franchisor entering into the Renewal Franchise Agreement, Franchisee does hereby compromise, settle, and absolutely, unconditionally, and fully release, discharge, and hold harmless for itself and each of its respective heirs, executors, administrators, representatives, predecessors, parents, successors, assigns, officers, members, managers, directors, shareholders, employees, partners, and affiliates (collectively, the “**Franchisee Releasing Parties**”), Franchisor and its past, present and future officers, directors, agents, attorneys, employees, shareholders, successors, assigns, members, managers, parents, predecessors, and affiliates (collectively, the “**Franchisor Released Parties**”), for all purposes, of and from any and all claims, debts, demands, damages, costs, expenses, actions, causes of action, or suits of any kind whatsoever, at common law, statutory or otherwise, whether now

known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with the Studio, the Original Franchise Agreement, the Renewal Franchise Agreement, or any other contractual relation between any Franchisee Releasing Parties and any Franchisor Released Parties, which Franchisee Releasing Parties may have had or may now have directly or indirectly against any or all of Franchisor Released Parties based upon or arising out of any event, act, or omission that has occurred on or prior to the Effective Date (the “**Released Claims**”). Franchisee Releasing Parties further covenant and agree to never institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of Franchisor Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys’ fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any Released Claim.

- b. The parties acknowledge that they are familiar with the provisions of California Civil Code Section 1542 which reads as follows:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.**

Franchisee, for itself and each of the Franchisee Releasing Parties, hereby waives and relinquishes every right or benefit which he, she or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other law or regulation, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Released Claims under Section 11.a., Franchisee, for itself and each of the Franchisee Releasing Parties, acknowledges that he, she or it may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of this release, but that it is the Franchisee Releasing Parties’ intention, subject to the terms and conditions of this Renewal Addendum, fully, finally and forever to settle and release all such Released Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given under Section 11.a. shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts.

## **12. Miscellaneous.**

- a. **Entire Agreement.** This Renewal Addendum amends the Renewal Franchise Agreement. This Renewal Addendum supersedes all prior discussions, understanding and agreements between the parties with respect to the matters contained in this Renewal Addendum, and this Renewal Addendum, together with the Renewal Franchise Agreement, contains the sole and entire agreement

between the parties with respect to the matters contemplated by this Renewal Addendum.

- b. **Execution in Counterparts.** This Renewal Addendum may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.
- c. **Successors and Assigns.** Except as otherwise herein provided, this Renewal Addendum is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors and permitted assigns.
- d. **Severability.** If any provision of this Renewal Addendum or instrument or other document delivered pursuant hereto or in connection with this Renewal Addendum is for any reason held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Renewal Addendum or any other instrument or document, and this Renewal Addendum and such other instruments and documents shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained in this Renewal Addendum.
- e. **Litigation.** Any claim or controversy arising out of, or related to, this Renewal Addendum or the making, performance, or interpretation thereof, shall be subject to the provisions of Sections 25 (Applicable Law) and 26 (Resolution of Disputes) of the Renewal Franchise Agreement, which are hereby incorporated herein by this reference.

*[Signatures on following page]*

**IN WITNESS WHEREOF**, each of the undersigned has executed this Renewal Addendum as of the Effective Date.

**FRANCHISOR:**

**MODO YOGA INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Name, Title

**FRANCHISEE:**

**[NAME OF ENTITY]**

By: \_\_\_\_\_  
Name, Title

**EXHIBIT G**  
**OPERATIONS MANUAL TOC**  
[See Attached]

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[See Attached]

## **NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise. Section 31119 of the California Corporations Code requires us to give you a disclosure document at least 14 days prior to the execution of the franchise agreement.

Neither the franchisor nor any person 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. § 78a et seq., suspending or expelling these persons from membership in this association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Items 5 and 7 of the Franchise Disclosure Document are amended to add the following after the last sentence:

“The Department of Financial Protection and Innovation requires us to defer receipt of the initial franchise fee and other initial payments owed by franchisees until after we have completed pre-opening obligations under the franchise agreement and until the franchisee is open for business.”

Item 6, Footnote 5, of the Franchise Disclosure Document is amended to add the following after the last sentence:

“10% is the highest interest rate allowed by law in California.”

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.

Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place you and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

You must sign a general release if you transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

OUR WEBSITE, [modoyoga.com](http://modoyoga.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT <http://www.dfpi.ca.gov/>

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

**ADDENDUM TO THE FRANCHISE AGREEMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF CALIFORNIA**

The following is added to Section 6(a) of the Franchise Agreement:

“The Commissioner of the Department of Financial Protection and Innovation requires Franchisor to defer receipt of the initial franchise fee and other initial payments owed by Franchisee until after Franchisor has completed pre-opening obligations under this Agreement and until the franchisee is open for business.”

Except as modified herein, the Franchise Agreement continues in full force and effect in accordance with its terms.

MODO YOGA INTERNATIONAL, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF ILLINOIS**

The following statements are added to the end of Item 17:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ADDENDUM TO THE FRANCHISE AGREEMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF ILLINOIS**

1. **Governing Law.** Section 25 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

This Agreement shall be interpreted, governed, and enforced in all respects and aspects by the laws of the State of Delaware.

2. **Jurisdiction.** The following is added to the end of Section 26(e):

Notwithstanding the foregoing, in conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in this Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, this Agreement may provide for arbitration to take place outside of Illinois.

3. **Renewal and Termination.** The following language is added at the beginning of Sections 5 and 16 of the Franchise Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. **Waiver of Jury Trial.** The following language is added to the end of Section 26(e) of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. **Illinois Franchise Disclosure Act:** The following language is added as a new Section 42 of the Franchise Agreement:

42. **Illinois Franchise Disclosure Act**

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

Except as modified herein, the Franchise Agreement continues in full force and effect in accordance with its terms.

MODO YOGA INTERNATIONAL, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF MINNESOTA**

1. Items 5 and 7 of the Franchise Disclosure Document are amended to add the following after the last sentence:

The Commissioner of the Minnesota Department of Commerce requires us to defer receipt of the initial franchise fee and other initial payments owed by franchisees until after we have completed pre-opening obligations under the franchise agreement and until the franchisee is open for business.

2. The following language is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer by franchisee**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchise Act.

3. The following paragraphs are added to the end of Item 17:

For franchises governed by the Minnesota Franchise Act, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the franchise agreement.

Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. However, we and you will enforce these provisions in the Agreement to the extent the law allows.

**ADDENDUM TO THE FRANCHISE AGREEMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF MINNESOTA**

1. **Initial Franchise Fee.** The following is added to Section 6(a) of the Franchise Agreement:

The Commissioner of the Minnesota Department of Commerce requires Franchisor to defer receipt of the initial franchise fee and other initial payments owed by Franchisee until after Franchisor has completed pre-opening obligations under this Agreement and until the franchisee is open for business.

2. **Assignment, Renewal and Termination.** The following language is added to the end of Sections 5(d) and 14(b)(iii)(H) of the Franchise Agreement:

Any release as a condition of renewal and/or assignment or transfer will not apply to the extent prohibited by law with respect to claims arising under Minn. Rule 2860.4400 D.

3. **Renewal and Termination.** The following language is added to the end of Sections 5 and 16 of the Franchise Agreement:

Minnesota law provide you with certain termination and non-renewal rights. Minn. Stat. Section 80C.14, subds, 3, 4 and 5 require, except in certain specified cases, that you be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of this Agreement.

4. **Governing Law.** The following language is added to the end of Section 25 of the Franchise Agreement:

Pursuant to Minn. Stat. Section 80C.21 and Minn. Rule part 2860.4400(J), this Section shall not in any way abrogate or reduce your rights as provided for in Minnesota Statutes 1984, chapter 80c, including the right to submit matters to the jurisdiction of the courts of Minnesota.

5. **Jurisdiction.** The following language is added to the end of Section 26(e) of the Franchise Agreement:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota or requiring waiver of a jury trial.

6. **Waiver of Jury Trial.** The following language is added to the end of Section 26(e) of the Franchise Agreement:

, except as otherwise required by the Minnesota Franchise Act.

MODO YOGA INTERNATIONAL, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice

law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debt under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

We use the initial franchise fee to partially defray our costs in assisting you during your opening of the Modo Yoga Studio, such as for our training expenses.

5. The following is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

6. The following language is added to the “Summary” section of Item 17(d), entitled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), entitled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), entitled “Choice of forum,” and Item 17(w), entitled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**ADDENDUM TO THE FRANCHISE AGREEMENT OF  
MODO YOGA INTERNATIONAL, INC.  
REQUIRED BY THE STATE OF NEW YORK**

1. **Assignment, Renewal and Termination.** The following language is added to the end of Sections 5(d), 14(b)(iii)(H) and 17(a)(ii) of the Franchise Agreement:

; provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

2. **Termination.** The following language is added to the end of Section 17(a) of the Franchise Agreement:

You may also terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

3. **Assignment by Franchisor.** The following language is added to the end of Section 14(a) of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **Governing Law.** The following language is added to the end of Section 25 of the Franchise Agreement, entitled "Governing Law":

**; HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW.**

5. **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

MODO YOGA INTERNATIONAL, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_

**NEW YORK REPRESENTATIONS PAGE**

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

**EXHIBIT I**  
**COMPLIANCE QUESTIONNAIRE**  
[See Attached]

**NOTE: THIS MODO YOGA COMPLIANCE QUESTIONNAIRE SHALL NOT BE COMPLETED OR SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE MODO YOGA FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**DO NOT SIGN THIS COMPLIANCE QUESTIONNAIRE IF THE MODO YOGA FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA.**

## **Modo Yoga Compliance Questionnaire**

As you know, you and Modo Yoga International, Inc. (the “**Franchisor**”) are preparing to enter into a Franchise Agreement for the establishment and operation of a “Modo Yoga” franchised business (a “**Modo Yoga Studio**”). The purpose of this Compliance Questionnaire (the “**Questionnaire**”) is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:
  - a. \_\_\_\_\_, 20\_\_  
Initials \_\_\_\_\_                      The date of my first face-to-face meeting with any person to discuss the possible purchase of a Modo Yoga Studio franchise.
  - b. \_\_\_\_\_, 20\_\_  
Initials \_\_\_\_\_                      The date on which I received Franchisor’s Franchise Disclosure Document (“**FDD**”).
  - c. \_\_\_\_\_, 20\_\_  
Initials \_\_\_\_\_                      The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
  - d. \_\_\_\_\_, 20\_\_  
Initials \_\_\_\_\_                      The date on which I signed the Franchise Agreement.
2. Have you received and personally reviewed the Franchise Agreement and each addendum and related agreement attached to it?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Do you understand all of the information contained in the Franchise Agreement, and each addendum and related agreement provided to you?  
Yes \_\_\_\_\_ No \_\_\_\_\_  
If No, what parts of the Franchise Agreement, addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)
4. Have you received and personally reviewed the FDD that was provided to you?  
Yes \_\_\_\_\_ No \_\_\_\_\_
5. Did you sign a receipt for the FDD indicating the date you received it?  
Yes \_\_\_\_\_ No \_\_\_\_\_
6. Do you understand all of the information contained in the FDD and any state-specific addendum to the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_  
If No, what parts of the FDD and/or addendum do you not understand? (Attach additional pages, as needed.)
7. Have you discussed the benefits and risks of establishing and operating a Modo Yoga Studio with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

Have you had the FDD and Franchise Agreement reviewed by an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No to either question, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand that the success or failure of your Modo Yoga Studio will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors?  
Yes \_\_\_\_\_ No \_\_\_\_\_
9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?  
Yes \_\_\_\_\_ No \_\_\_\_\_
10. Do you understand that there are no promises, representations (other than in the franchise disclosure document), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement?  
Yes \_\_\_\_\_ No \_\_\_\_\_
11. If you have answered "No" to any one of questions 8–10, please provide a full explanation of each No answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 8–10, please leave the following lines blank.
12. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?  
Yes \_\_\_\_\_ No \_\_\_\_\_
13. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?  
Yes \_\_\_\_\_ No \_\_\_\_\_
14. If you have answered "Yes" to any one of questions 12–13, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "No" to each of questions 12–13, please leave the following lines blank.
15. Do you understand that all disputes and claims you may have under the Franchise Agreement and the Personal Guarantee must be heard in California (if they cannot be informally resolved)?  
Yes \_\_\_\_\_ No \_\_\_\_\_
16. Do you understand that the Franchise Agreement and the Personal Guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?  
Yes \_\_\_\_\_ No \_\_\_\_\_
17. Do you understand that the Franchise Agreement and the Personal Guarantee both include a waiver of jury trials?  
Yes \_\_\_\_\_ No \_\_\_\_\_
18. I have spoken with current and former *Modo Yoga Studio* franchisees, and I chose which franchisees, and how many franchisees, to speak with.  
Yes \_\_\_\_\_ No \_\_\_\_\_

19. During my negotiations and evaluations leading up to my decision to buy a *Modo Yoga* franchise business, I communicated with the following individuals from Modo Yoga International, Inc. or its affiliates: \_\_\_\_\_

Name \_\_\_\_\_ Address \_\_\_\_\_

Your responses to these questions are important to us and we will rely on them. By signing this Questionnaire, you are representing to us that you have responded honestly, accurately, and completely to each of the above questions.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### **State Effective Dates**

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Minnesota	Pending
New York	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**ITEM 23**  
**RECEIPT**

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 Modo Yoga International, Inc. offers you a franchise, we 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. Iowa requires that we provide you with this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. New York requires that we provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. Michigan requires that we provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale.

If Modo Yoga International, 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, D.C. 20580 and the applicable state agency listed in Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Nava Dabby, Emily Drouillard, Ash Steier, and Maura Costello, 980 Alder Street, Campbell River, British Columbia, V9W 2P9 Canada and its telephone number is 888-966-9642.

Modo Yoga International, Inc., the seller of these franchises, authorizes the agencies shown on Exhibit B to receive service of process for it in certain states.

The issuance date of this Disclosure Document is March 7, 2024.

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from Modo Yoga International, Inc. of the Franchise Disclosure Document (to which this Receipt is attached) dated March 7, 2024.

This Disclosure Document included the following exhibits: A – List of State Franchise Administrators; B – List of Agents for Service of Process; C – Lists of Current Licensees and Franchisees, and Former Franchisees; D – Financial Statements; E – Franchise Agreement; F – Heritage Addendum; G – Operations Manual Table of Contents; H – State Addenda; and I – Compliance Questionnaire.

Dated: \_\_\_\_\_

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

Address of corporation, LLC, or individual(s): \_\_\_\_\_  
\_\_\_\_\_

**[YOUR COPY – PLEASE RETAIN FOR YOUR RECORDS]**

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If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

Address of corporation, LLC, or individual(s): \_\_\_\_\_  
\_\_\_\_\_

**[OUR COPY – PLEASE RETURN TO US]**