

FRANCHISE DISCLOSURE DOCUMENT



STUDIO PILATES INTERNATIONAL USA CORP.,
a Delaware corporation
251 Little Falls Drive
Wilmington, Delaware 19808
Tel. (917) 310-3883
Email: franchising@studiopilates.com
www.studiopilates.com

As a Studio Pilates International franchisee, you will operate a Studio Pilates International fitness studio that provides Pilates and other exercise classes.

The total investment necessary to begin operation of a Studio Pilates International franchise is ~~\$486,950~~~~399,625~~ to ~~\$818,150~~~~679,725~~. This includes ~~\$208,750~~~~145,125~~ to ~~\$230,550~~~~162,725~~ that must be paid to the franchisor or affiliates. If you elect to enter into a Multi-Unit Option Addendum to establish additional studios, you will also pay the franchisor a \$35,000 option fee for one additional studio, or a \$60,000 option fee for two additional studios, when you sign the Multi-Unit Option Addendum, in addition to the estimated initial investment and initial fee for the first outlet.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jade Winter at (917) 310-3883 or at franchising@studiopilates.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: ~~March~~~~June~~ 14, ~~2025~~~~2024~~

[Studio Pilates FDD – 2025 \(Issued March 14, 2025\)](#)

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 mediation, arbitration and/or litigation only in New York. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum 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. **Minimum Sales Performance Levels.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
- ~~4. **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.~~
- 5.4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

- Exhibit A Franchise Agreement and Related Attachments
- Exhibit B State Administrators
- Exhibit C Table of Contents of Operations Manual
- Exhibit D Financial Statements
- Exhibit E State Specific Addenda
- Exhibit F List of Current Franchisees
- Exhibit G List of Franchisees that Left System in Past Year
- Exhibit H Compliance Questionnaire

Item 1
FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Studio Pilates International USA Corp. For ease of reference in this disclosure document, Studio Pilates International USA Corp. is referred to as “we,” “us” “our,” or “Franchisor”, and the person who is considering buying the franchise is referred to as “you”, “your,” or “Franchisee.”

Franchisor

The name and principal address of the franchisor is Studio Pilates International USA Corp., 246 Hawthorne Road, Hawthorne Queensland 4171, Australia. Studio Pilates International USA Corp. is a Delaware corporation formed on August 30, 2018. We do business under our company name, or in some cases simply as “Studio Pilates,” “[Studio Pilates](#) International” or “SPI.” We do not do business under any other name. Our agents for service of process are disclosed in Exhibit B.

Except as provided in this item, we do not offer franchises in any other line of business.

Parents, Predecessors or Affiliates

Our parent is Studio Pilates International Pty Ltd, an Australian private limited company, with its principal place of business at 246 Hawthorne Road, Hawthorne Queensland, which holds and licenses the intellectual property for all of the Studio Pilates International studios worldwide.

Our affiliate, Studio Pilates International Australia Pty Ltd., an Australia private limited company, whose principal place of business is 246 Hawthorne Road, Hawthorne Queensland 4171, Australia, has offered franchises for Studio Pilates International studios in Australia and New Zealand since 2014. It has not conducted the type of business the franchisee will operate. Prior to 2014, our affiliate, Studio Pilates International Franchise Pty Ltd., an Australia private limited company, as trustee for the Studio Pilates International Franchise Trust, whose principal place of business is 246 Hawthorne Road, Hawthorne, Queensland, offered franchises for Studio Pilates International studios in Australia and New Zealand from 2010 to 2014. It has not conducted the type of business the franchisee will operate.

Our affiliate Studio Pilates International Hawthorne Pty Ltd., whose principal place of business 246 Hawthorne Road, Hawthorne Queensland, operates a Studio Pilates International studio at 246 Hawthorne Road, Hawthorne, Queensland, which it has operated since 2002. It has not offered franchises in any lines of business.

Our affiliate Studio Pilates Industries Pty Ltd., an Australia private limited company, whose principal place of business is 246 Hawthorne Road, Hawthorne, Queensland, imports and sells the Reformer Equipment to Studio Pilates International franchisees in Australia and New Zealand. Studio Pilates Industries Pty Ltd also formerly sold the Reformer Equipment to us, and we would resell the Reformer Equipment to our United States franchisees. Studio Pilates

Industries Pty. Ltd. has not conducted the type of business the franchisee will operate, and it has not offered franchises in any line of business.

Our affiliate Studio Pilates International Education Pty Ltd, an Australia private limited company, whose principal place of business is 246 Hawthorne Road, Hawthorne, Queensland, helps to develop Pilates training courses and education. It has not conducted the type of business the franchisee will operate, and it has not offered franchises in any line of business.

Our affiliate Studio Pilates International New Zealand Limited, a New Zealand private limited company, whose principal place of business is c/o Walker Wayland Auckland Limited, Level 14, 88 Shortland Street, Auckland Central, 1010, New Zealand, imports and sells reformers and audio-visual equipment to New Zealand Studio Pilates franchisees.

Our affiliate Studio Pilates International Canada Limited, a Canada private limited company, whose principal place of business is c/o Cassels Brock & Blackwell LLP, Suite 3200 40 Temperance Street, Bay Adelaide Centre North Tower, Toronto, ON, M5H 0B4, has sold Studio Pilates International studio franchises in Canada since 2023.

Our affiliate, Studio Pilates International London Limited, a United Kingdom private limited company, whose principal place of business is c/o Hamilton Pratt Law, Franchise House, 3a Tournament Court, Tournament Fields, Warwick CV34 6LG, has sold Studio Pilates International studio franchises in the United Kingdom since 2021.

We have no other affiliates that offer or have offered franchises in any line of business, and no other affiliates offer products or services to our franchisees.

The Franchise

We offer franchises to operate a fitness studio to provide Pilates and other fitness courses under the Studio Pilates International name, using our proprietary courses and training, music, videos, and methods of instruction, using our distinctive studio design and layout, and the methods and procedures which we have developed. Our standards and procedures for conducting the franchised business are set forth in our confidential Operations Manual, which may be updated and amended by us from time to time. Each studio must operate in accordance with the franchise agreement, and the standards and procedures contained in our then-current Operations Manual. Studio Pilates International studios also offer the sale of products at the studio.

We may grant you the option to open either one or two additional~~multiple~~ Studio Pilates International studios within a specific geographic area. If you enter into a Multi-Unit Option Addendum to open one additional ~~location~~locations, you will pay us a non-refundable additional option fee of \$35,000 for the right to open one additional location, ~~or \$60,000 for two additional locations~~, to be paid when you sign the Multi-Unit Option Addendum. This amount is in addition to the estimated initial investment and initial fee for the first outlet. The Multi-Unit Option Addendum for one additional location gives you the option to open one additional studio ~~over a one-year period, or two additional studios over a two-year period~~, under the terms of our then-current form of franchise agreement within ~~the~~your agreed first option territory, provided that you

enter into the franchise agreement and the lease for the additional studio within one year after the initial location franchise agreement term commencement date (meaning the earlier of the opening deadline, the actual opening date, or the commencement date for the lease of your initial location).

If you enter into a Multi-Unit Option Addendum to open two additional location, you will pay us a non-refundable additional option fee of \$60,000 for the right to open two additional locations, to be paid when you sign the Multi-Unit Option Addendum. This amount is in addition to the estimated initial investment and initial fee for the first outlet. The Multi-Unit Option Addendum for two additional locations gives you the option to open two additional studios, under the terms of our then-current form of franchise agreement within the agreed territory, provided that you enter into the franchise agreements and the lease for the first additional studio within one year after the initial location franchise agreement term commencement date, and you enter into the franchise agreement and the lease for the second additional studio within one year later.

—Upon establishing each additional location under the Multi-Unit Option Addendum, you will be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Market and Competition

The market for fitness club services is well established and developed. The consumer market for the fitness club services includes anyone who desires to improve or maintain his or her health and fitness or to combat obesity.

The fitness club services market, as well as the Pilates studio services market, is highly competitive and well-developed. You will compete with local and national businesses that provide similar services and products. Competitors include local and national gyms and fitness and Pilates studios.

Laws and Regulations

You must comply with all local, state and federal laws and regulations that apply to the operation of any business and for your premises, including state and local health and sanitary laws that regulate facilities providing health and fitness services. We urge you to inquire with your attorney about these laws and regulations. You must thoroughly investigate the zoning laws for prospective premises, since they may include zoning restrictions or special requirements. You must comply with all applicable rules and regulations when operating a Studio Pilates International studio.

Health and fitness clubs are subject to local health and safety codes, including sanitation and safety requirements. These regulations may cover facility cleanliness and maintenance standards (e.g., cleaning schedules, equipment maintenance), and building and fire codes (e.g., emergency exits, fire extinguishers, occupancy limits). Franchisees may be required to obtain specific local or state licenses to operate a health and fitness business. This could include business operation permits from local authorities, personal trainer certifications and qualifications, which may vary by state, and liability insurance to protect against claims of injury or negligence.

Item 2
BUSINESS EXPERIENCE

Jade Michael Winter – President and Director

Jade Winter has been Chief Executive Officer and President of our Company since it was formed in August 2018. Jade has been president of our affiliate Studio Pilates International Pty Ltd, an Australia company, located in Hawthorne Queensland, Australia, since 2014 to the present; president of our affiliate Studio Pilates International Hong Kong Holdings Limited, a Hong Kong company, located in Hong Kong, China, since September 2017 to the present; president of our affiliate Studio Pilates International London Ltd., a UK company, located in London, England, since April 2017 to the present; president of our affiliate Studio Pilates International Hawthorne Pty Ltd., an Australia company, located in Hawthorne Queensland, Australia, since 2002 to the present, president of Studio Pilates Industries Pty Ltd., an Australia company, located in Hawthorne Queensland, since June 2007 to the present; president of our affiliate Studio Pilates International Franchising Pty, an Australia company, located in Hawthorne Queensland, Australia, since April 2010 to the present, and president of our affiliate Studio Pilates International Education Pty Ltd., an Australia company, located in Hawthorne Queensland, Australia, since September 2014 to the present.

Tanya Nicole Winter – Vice President for Education

Tanya Winter has been Vice President for Education of our Company since it was formed in August 2018. Tanya has been the vice president of our affiliate Studio Pilates International Pty Ltd, an Australia company, located in Hawthorne Queensland, Australia, since 2014 to the present; vice president of our affiliate Studio Pilates International Hong Kong Holdings Limited, a Hong Kong company, located in Hong Kong, China, since September 2017 to the present; vice president of our affiliate Studio Pilates International London Ltd., a UK company, located in London, England, since April 2017 to the present; vice president of our affiliate Studio Pilates International Hawthorne Pty Ltd., an Australia company, located in Hawthorne Queensland, Australia, since 2002 to the present, vice president of Studio Pilates Industries Pty Ltd., an Australia company, located in Hawthorne Queensland, since June 2007 to the present; vice president of our affiliate Studio Pilates International Franchising Pty, an Australia company, located in Hawthorne Queensland, Australia, since April 2010 to the present, and vice president of our affiliate Studio Pilates International Education Pty Ltd., an Australia company, located in Hawthorne Queensland, Australia, since September 2014 to the present.

January Swiderski – U.S. Development Franchise Manager

January Swiderski has been U.S. Development Franchise Manager of our Company since June 2023, Dallas, Texas. January was Franchise Sales Manager of Nothing Bundt Cakes from March 2021 to March 2023 in Addison, Texas. January was Franchise Legal Analyst of Yum! Brands from October 2019 to March 2021 in Plano, Texas.

John Leslie Scott – Director of Franchising

John Scott has been Director of Franchising with our Company since September 2020. He was Head of Special Projects for Specsavers Optical Group in Melbourne, Australia from January 2005 to August 2020.

Victoria Torres-Rogozhin – Franchise Performance Coach

Victoria Torres-Rogozhin has been a Franchise Performance Coach with our Company since June 2024. Victoria was a Franchise Business Coach for Jamba Juice in Atlanta, Georgia from 2021 to 2024, and a Franchise Business Coach for Retro Fitness in West Palm Beach, Florida from 2019 to 2020. Victoria was a Regional Trainer and District Sales Manager for European Wax Center in Plano, Texas from 2015 to 2019.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5
INITIAL FEES

Initial Franchise Fee

You must pay us a ~~\$5045~~,000 non-refundable lump sum Franchise Fee (the “Franchise Fee”) when you sign the Franchise Agreement. Of this amount, you may elect to pay \$2,000 of this initial franchise fee as a refundable holding deposit to hold the territory until you sign the franchise agreement or until we decide to return the deposit and not to move forward with the proposed agreement.

If you enter into an option agreement to open additional locations, you will pay us a non-refundable additional option fee of \$35,000 for one additional location, or \$60,000 for two additional locations, to be paid when you sign the multi-unit option addendum, in addition to the estimated initial investment and initial fee for the first outlet. The multi-unit option addendum gives you the option to open one additional studio provided that you enter into the franchise agreement and the lease for the additional location within~~over a one-year period~~, or two additional studios provided that you enter into the franchise agreement and lease for the first additional studio within one ~~over a two-year, and the second additional studio within two years-period~~, under the terms of our then-current form of franchise agreement within your agreed territory. The initial franchise fee for the first additional location will be \$35,000, and the option fee will be treated as full payment of the initial franchise fees for the first additional location. The initial franchise fee

for the second additional location will be an additional \$25,000, and the option fee will be applied as full payment of the initial franchise fee for the second additional location.

Reformers

You must pay us a non-refundable fee of \$55,200 to \$64,400, for 12 - 14 reformers for your studio, at a cost of \$4,600 per reformer. The number of required reformers depends on the size of your studio. The fee includes the cost of the reformer, and delivery to your studio including up to 2 weeks storage if required.

Opening Package Fee

The Opening Package Fee is a \$25,000 non-refundable lump sum fee which covers the Initial Instructor Training for up to 8 people, the Initial Business Operations Training for the initial sales, administrative, and management staff, the design and development of the studio page on the brand's website and Marketing and Business Operations support. This fee is due and payable in full when you have entered into a letter of intent with a landlord.

Architectural Package

The Architectural Package Fee is a ~~\$23,500~~~~21,000~~ non-refundable lump sum fee which covers the Studio Design, construction plans and architectural services for your Studio. It includes the services of Studio Pilates approved architectural team to prepare plans ready for submission to the local government agency to obtain required permits. It does not include the permit fees charged by local authorities having jurisdiction over the project and travel expenses by the team during site visits.. This fee is due and payable when you have entered into a letter of intent with a landlord.

Marketing Launch Package Fee

You must pay us or one of our affiliates the non-refundable sum of ~~\$1240,000~~ which we or our affiliates will use for pre-opening initial promotion expenses for your initial promotion. This payment, which is non-refundable, is due in full when you have entered into a letter of intent with a landlord.

Technology Subscription

You must pay us a non-refundable monthly technology subscription fee, to cover the cost for: (i) the cost of your license to use the required Computer Software and Services during the term of the franchise agreement; and (ii) our cost for monitoring your business activities, including any bookkeeping and payroll functions performed in connection with such monitoring. From time to time during the franchise agreement, we can change the cost of the Technology Subscription. The first invoice issued when you open will be a nonrefundable fee of ~~\$1,9503,025~~ for the services that have been activated prior to launch. After you open, you will have to continue paying a monthly subscription fee, which ranges from \$1,~~600500~~ to \$1,800 per month, and the first monthly payment will be invoiced on the 1st day of the month post opening.

Audio-Visual Equipment (including CCTV)

You must pay us a non-refundable fee for the audio-visual equipment, as well as our proprietary SPTV system before opening. The cost is estimated between \$35,000 to ~~\$4550,000~~. The costs will vary depending on the configuration of your premises.

Initial Inventory

You must pay us or one of our affiliates a non-refundable lump sum fee before opening for a portion of the costs of the initial inventory of products and supplies to be used or offered for sale at your studio. The amount of the fee will vary depending on the size of the studio and the type of products and supplies which we decide or you request.

The total cost of the required Initial Inventory will normally range between \$14,000 to \$18,000 for a typical size location and typical types of products or supplies.

About 40% of this cost of the Initial Inventory, or \$5,600 to \$7,200, must be purchased from us or one of our affiliates. The remaining 60% of the cost of the Initial Inventory, or \$8,400 to \$10,800, must be purchased from local suppliers approved by us.

The price and list of your required initial inventory of products and supplies will be specified in ~~Schedule~~Schedules 3 and Schedule 4 of your Franchise Agreement.

Uniforms

You must pay us or one of our affiliates a non-refundable fee for the uniforms for your employees before opening. The estimated cost will be between \$500 to \$1,500.

<u>Summary of Initial Fees Payable to Franchisor or Affiliates</u> <u>Before Opening</u>	<u>Amount</u>
Franchise Fee	\$5045,000
<u>Reformers</u>	\$55,200 to \$64,400
Opening Package Fee	\$25,000
Architectural Package Fee	\$23,500 21,000
Marketing Launch Package Fee	\$1210,000
Technology Subscription – initial lump sum for services activated prior to launch	\$1,950 3,025
Audio-Visual Equipment (including CCTV)	\$35,000 to \$4550,000
Initial Inventory	\$5,600 to \$7,200
Uniforms	\$500 to \$1,500
Total	\$208,750 145,125 to \$230,550 162,725

Item 6

OTHER FEES

Fee (See Note 1)	Amount	Due Date	Remarks
Royalty Fees (Note 2)	8% of Gross Sales	Weekly	Fees will be deducted automatically from your account.
Marketing Fund Fee (Note 2)	2% of Gross Sales	Monthly	Fees will be deducted automatically from your account.
Cooperative Advertising Program Fee (Note 3)	Up to 4% of Gross Sales	Monthly	Only applies if we have established a Cooperative Advertising program in your area, and the council for the Cooperative Advertising program has established a fee. Fees will be deducted automatically from your account, and then remitted to the council for the Cooperative Advertising program. (See Note 3).
On-Going Instructor Training <u>Post-Launch Costs</u> (Note 4)	\$ 1615 ,000 for up to eight people if paid by franchisee, or \$1,000 - \$2, 500 650 per instructor depending on prior experience if paid by instructors	When you schedule an on-going instructor training session	On-going instructor training is normally a five or six day face-to-face course (40-42 hours) attended after online modules (40 hours) have been completed
Transfer Fee	Fifty percent (50%) of our then current initial Franchise Fee, <u>subject to state law</u> .	Prior to transfer of franchise	Transfer fee must be paid if franchisee sells, encumbers, assigns or transfers any of its rights or interests in Franchise Agreement, or (if Franchisee is an entity) the Franchisee owners sell, encumber, assign or transfer their interest in the franchisee
Renewal Fee	Twenty five percent (25%) of our then current initial Franchise Fee	Prior to renewal	
Interest	12% per annum	Upon payment due date	
Technology Subscription (Note 5)	\$1, 600 500 to \$1,800 per month	Monthly	Fees will vary based on number of employees and related accounting package requirements. Fees will be

			deducted automatically from your account. Amount may be modified from time to time as needs and costs change. You are expected to activate the services three months before Opening.
Music Licensing	Amounts charged by the providers and/or appropriate clearing house(s) for such music licensing.	As invoiced or otherwise agreed.	We may require that this amount be paid to our then-current approved supplier, which may be us or our affiliate, that determines to handle and manage these licenses for System franchisees. As of the Issue Date, we are not collecting this amount directly.
Marketing Materials	Costs of marketing materials and media spend, which will typically range between \$1,250 to \$2,500 every month	Within seven days of receipt of invoice	Approved marketing materials required by us or requested by you
Annual Conference Fee	\$1,500 Currently \$1500 to \$2,500 depending on location.	Prior to attending annual conference	
Annual Conference travel	Costs of travel and lodging to attend annual conference	As incurred	Annual conference may be held in different countries each year.
Insurance Reimbursement	Cost of insurance, interest on the monies we advance and our administrative costs	As incurred	If you fail to maintain insurance required by the franchise agreement, we may obtain the required insurance and charge you the cost of the insurance, interest on the monies we advance, and our administrative costs.
Audit Costs	Our actual costs and travel costs of auditor	Upon invoice	If an audit of your records reveals an understatement or overstatement by at least 5% in any of the financial data you provided
Management of business upon death or disability	To be determined under circumstances	As agreed	Payable for any period that we manage the franchised business on your death or disability
Penalty Fee	Then-current fee charged by us. Currently, \$100 for	Upon demand	Payable in the event you fail to comply with your obligations under your Franchise Agreement,

	each day of non-compliance.		including the requirements in your Operations Manual.
Alternative Supplier Approval	\$1,500 per day each person engaged in Our then-current fee for evaluating a proposed alternative product, service, or supplier. Currently, \$1,500 per day each person engaged in such evaluation.	At time of request	You must make the request in writing, and provide us with information that we require, pay the evaluation fee, and reimburse our travel and lodging costs.
Costs and Attorneys' Fees	Our actual costs	As incurred	Payable if your default under your franchise agreement results in us incurring legal expenses, <u>and we are the substantially prevailing party in a legal action against you.</u>
<u>Liquidated Damages</u>	<u>The average value of the monthly Royalty fees that you were required to pay to us during the 12 months before the termination multiplied by 24, or the number of months remaining during the term of this Agreement, whichever is higher.</u>	<u>Upon termination of your Franchise Agreement</u>	<u>Covers our damages from the loss of cash flow from the Royalty fees, and does not cover any other damages, such as other unpaid amounts you owe, damage to our reputation, and damages arising from your violation of any provision of the Franchise Agreement other than the Royalty section.</u>
Indemnification	Our actual costs	As incurred	You must indemnify us and related parties for claims involving the operation of your business.
Branded Merchandise (Note 6)	Minimum on-hand stock value of \$2,500 at any time	As incurred	You must hold approved branded merchandise in studio at all times. This amount is the <u>recommended</u> minimum value of the stock to be held in the studio during the on-going operations
<u>Equipment Repair</u>	<u>\$0 to \$2,500 per year</u>	<u>As incurred</u>	<u>You must pay for any needed repair or replacement of the video screens, reformer springs, or reformer upholstery</u>

<u>Replacement Uniforms</u>	<u>\$500 to \$1,500 per year</u>	<u>As incurred</u>	<u>You must pay for new or replacement uniforms for existing or new staff</u>
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Note 1: All fees are imposed by and payable to us, unless otherwise indicated. All fees payable to us are non-refundable. All fees are uniformly imposed and collected. We may require that payments to us be made by the use of pre-authorized electronic transfers from your bank operating account that we will process when any payment is due, or by check, cash, or wire transfer. Fees payable to third parties may be refundable based on your individual arrangements.

Note 2: "Gross Sales" means all income whatsoever received by the Franchisee from the sale of any products or services, not including refunds or sales taxes.

Note 3: As of the date of this Disclosure Document, we have not yet established any advertising cooperatives in any geographic area.

Note 4: At least ~~\$1645~~,000 for the training session, which covers the training fees and our travel costs from other areas of the United States, for a training session for up to eight people. You have a choice as to whether you pay for the instructor training yourself, or you require the individual instructors to pay for it.

If you pay for the training session yourself, then: You must pay us a flat ~~\$1645~~,000 on-going training fee, which will cover instructor training for up to eight full paying people. The cost for each additional person ranges from ~~\$1,000-\$2,500+000-\$2650~~ per person depending on the person's background, prior experience and ticket type.

If you ask the individual instructors to pay for it themselves, then: The instructors must pay us directly (~~\$1,000-\$2,500+000-\$2650~~ per person). We keep the full amount of the per person fees paid, even if it exceeds ~~\$1645~~,000. If the total revenue brought in for the course is less than the ~~\$1645~~,000 minimum cost, then you will have to pay us the shortfall below ~~\$1645~~,000, so that we receive at least ~~\$1645~~,000.

As the system grows, if we have sufficient staff in your region who can conduct the training, we might offer instructor training at ~~\$1,000-\$2,500+000-\$2650~~ per person, without requiring a minimum payment of ~~\$1645~~,000. However, in this case, we would require a minimum number of people in the course for the training to run at no cost to you. You will have the option to send individual instructors to other studios running a course but travel and accommodation costs may be incurred.

Note 5: Technology Subscription

This fee is payable to reimburse us for: (i) the cost of your license to use the required Computer Software and Services during the term of the franchise agreement; and (ii) our cost for monitoring your business activities, including any bookkeeping and payroll functions performed in connection with such monitoring. From time to time during the franchise agreement, we can change the cost of the Technology Subscription. The first invoice issued when you open will be a nonrefundable

fee of ~~\$1,950,025~~ for the services that have been activated prior to launch. After you open, you will have to continue paying a monthly subscription fee, which ranges from \$1,600~~500~~ to \$1,800 per month, and the first monthly payment will be invoiced on the 1st day of the month post opening.

Note 6: Branded Merchandise:

Stocking approved branded merchandise is a requirement of operational studios. \$2,500 is the recommended minimum value of the total on-hand stock held in the studio at any point in time. The stock is comprised of apparel and accessories. The recommended minimum value may be changed from time to time with notice in writing. An initial stock of branded merchandise is supplied pre-launch as part of the Initial Inventory.

Item 7
ESTIMATED INITIAL INVESTMENT

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be made
Initial Franchise Fee (Note 2)	\$ 5045 ,000	Lump sum	Upon signing Franchise Agreement	Us
Opening Package Fee (Note 3)	\$25,000	Lump sum	Upon signing of letter of intent with the landlord. Before Opening	Us
Architectural Package Fee (Note 4)	\$ 23,500 21,000	Lump sum	Upon signing of letter of intent with the landlord. Before Opening.	Us
Marketing Launch Package Fee (Note 5)	\$ 1240 ,000	Lump sum	Upon signing of letter of intent with the landlord. Before Opening	Us
Technology Subscription – Initial Lump Sum (Note 6)	\$ 1,950 3,025	Lump sum	Upon Opening the Studio	Us
Lease Expense (Note 7)	\$7,100 - \$76,500	As arranged	Before Opening	Landlord
Utility Deposit (Note 8)	\$1,000 - \$2,000	As arranged	Before Opening	Landlord and other vendors
Buildout Costs (Note 9)	\$ 220 150 ,000 – \$ 380 250 ,000	As arranged	Before Opening	Landlord, vendors and contractors
Audio- Visual Equipment (including CCTV) (Note 10)	\$35,000 - \$ 4550 ,000	As arranged	Before Opening	Us

Reformer Equipment (Note 11)	\$55,200 - \$6452,800 -\$70,400	As invoiced or otherwise agreed	Upon signing of letter of intent with the landlord, and Before Opening	Approved supplier
<u>Reformer Storage Pre-Launch (Note 12)</u>	<u>\$0 - \$4,000</u>	<u>As arranged</u>	<u>Before Opening</u>	<u>Vendors</u>
Initial Inventory (Note 13 12)	\$5,600 - \$7,200	As arranged	Before Opening	One of our affiliates
Additional Initial Inventory (Note 12)	\$8,400 - \$10,800	As arranged	Before Opening	Local suppliers approved by us
Branded Merchandise Stands (Note 14) 13)	\$6002,500	As invoiced or otherwise agreed <u>As arranged</u>	Upon signing the letter of intent with the landlord, and Before Opening	Approved supplier <u>Suppliers approved by us</u>
Computer Hardware	\$2,500 - \$4,000	As arranged	Before opening	Vendors
Insurance (Note 15 14)	\$3,000 - \$4,500 \$5,600	As arranged	Varies with supplier	Vendors
Permits & Licenses (Note 16 15)	\$1,500 - \$30,000	As arranged	Before opening	Municipality
First aid and CPR employee training expenses	\$100 - \$200	As arranged	Before opening	First aid and CPR certification
Uniforms	\$500 - \$1,500	As arranged	Before opening	Us or our affiliates
Professional Fees (Note 17 16)	\$4,000 - \$10,000	As arranged	Varies with supplier	Professionals (Accountant, attorney, etc.)
Pre-Launch Wages (Note 18 17)	\$2010,000 - \$4030,000	As arranged	Before Opening	Employees
Additional Funds/Working Capital (Note 19 18)	\$10,000 - \$25,000	As arranged	Varies with supplier	Vendors
Total (Note 20)	\$486,950 - \$818,150 \$399,625 - \$679,725			

Note 1. We do not offer direct or indirect financing for any part of the initial investment. Each of the payments in this table are not refundable.

Note 2. The initial franchise fee is \$5045,000. You must pay \$2,000 of this fee to reserve a location while you are considering whether to sign the Franchise Agreement. This \$2,000 is

refundable if you or we decide not to sign the Franchise Agreement. You should not pay any portion of the franchise fee until at least 14 days after you received this disclosure document. You must pay the remaining balance of the franchise fee when you sign the franchise agreement. The initial franchise fee is non-refundable after you and we sign the franchise agreement.

If you enter into an option agreement to open one additional location, you will pay us a non-refundable additional option fee of \$35,000 for one additional location when you sign the multi-unit option addendum, which gives you the option ~~for a one year period~~ to open an additional studio under the terms of our then-current form of franchise agreement within ~~the~~ your agreed territory, provided that you enter into the lease and the franchise agreement for the additional studio within one year after your initial location franchise agreement term commencement date. If the option expires, you must pay an extension fee of \$2,500 per month to extend the option up to 12 months. The initial franchise fee for the additional location will be \$35,000, and the \$35,000 option payment will be treated as full payment of this fee.

If you enter into an option agreement to open two additional locations, you will pay us a non-refundable additional option fee of \$60,000 when you sign the multi-unit option addendum, which gives you the option ~~for a one year period~~ to open ~~the first one~~ additional ~~location studio and a second year period to open a second additional studio~~, under the terms of our then-current form of franchise agreement within ~~the~~ your agreed territory, provided that you enter into the lease and franchise agreement for the additional studio within one year after your initial location franchise agreement term commencement date, and you enter into the franchise agreement and lease for the second additional studio within one year later. If the option expires, you must pay an extension fee of \$2,500 per month to extend the option up to 12 months. The initial franchise fee for the first additional location will be \$35,000, and the initial franchise fee for the second additional location will be \$25,000, and the option payment will be applied as full payment of these fees.

Note 3. The Opening Package Fee covers the Initial Instructor Training for up to 8 people, the Initial Business Operations Training for the initial sales, administrative, management, and pre-launch Marketing and Business Operations support. In addition, you must pay the wages or salary to your own employees and instructors for the time they spend attending the training.

Note 4. The Architectural Package Fee is a ~~\$23,500~~~~21,000~~ non-refundable lump sum fee which covers the Studio Design and construction plans for your Studio, including architectural services by Studio Pilates Architectural affiliate. The Architectural services include the preparation of plans ready for submission to the city to obtain the required permits. This fee does not include fees payable to the city for the permits or the administration fees relating to the application process itself, or travel expenses by the Franchisor's team during site visits. Additional fees may apply if you abort a site after the letter of intent with the landlord has been executed.

Note 5. You must pay us or our affiliates this payment of ~~\$1240,000~~, which we or our affiliates will use for pre-opening initial promotion expenses for your opening. This does not include the costs of office supplies which are listed separately.

Note 6. This estimate is based upon Computer Software and Services active prior to opening. You are expected to activate the Computer Software and Services about three months before Opening.

Note 7. A typical location will be in the range of 1,076 to 1,700 square feet. The location might be in a suburban location or in a high-rent high-density location.

The Lease ExpenseThis estimate covers the security deposit (which may be equal to one to three months' rent) and the first three months of rent. This estimate assumes that your leased studio premises will be in the range of 1,076 to 1,700 square feet. This estimate assumes that your base monthly rental rate will be anywhere in the range of \$1.65 to \$7.5 per square foot. This estimate also includes common area maintenance charges, your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal, which your landlord may require you to pay. You will be required to pay an advance security deposit equal to 1 to 3 month's rent.

Note 8. Utility companies, such as electricity, water, gas, telephone and internet service providers, typically require you to pay a deposit to open a new utility service account. These deposits may be refundable in accordance with the agreements made with the utility companies.

Note 9. This Buildout Costs estimate includes the costs for the build-out of the premises, construction materials and labor, furniture and fixtures, general contractor fees, and signage. The cost of your build-out and leasehold improvement will vary widely depending on many factors, including (i) the size and configuration of the premises; (ii) whether the premises require demolition and removal of existing walls and fixtures; (iii) the local rates charged by building contractors and workers in your local area; and (iv) the cost of materials in your local area. Leasehold improvement costs may increase outside of this range due to factors such as (i) whether you need to install new plumbing, HVAC and fire service systems or HVAC system, or make significant modifications to an existing HVAC system, and (vi) whether there are any requirements to install sound proofing, which are not considered normal improvements. These amounts may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease. You must follow our required design, which may require major demolition in the existing premises, and major construction of new interior walls and fixtures in the premises. You must make any required changes to our required design in order to comply with any legal requirements such as disability access, and to comply with any requirements of your landlord. The standard reasonable cost of such compliance-related changes has been factored into this estimate. You should investigate all of these issues with your contractor and your advisors, and you should discuss and negotiate all of these issues with the landlord, before you make any commitment to rent any particular location.

Estimated costs for a suburban location range from ~~\$220~~150,000 to ~~\$380~~250,000 for cost for a high-density high-rent location. These estimates are based on historical construction costs. Inflation and other supply chain issues may increase these costs. These costs exclude the cost of union labor.

Note 10. This estimate includes the cost which you must pay to the Franchisor for the audio-visual equipment, as well as the costs you must pay to us for our proprietary SPTV system. The costs will vary depending on the configuration of your premises. The Franchisor will arrange the ordering and installation of the audio visual and CCTV equipment with the approved vendor during the buildout process.

Note 11. ~~You must~~ ~~We assume and expect that you will~~ purchase the required reformers ~~and other related exercise equipment~~ from ~~us, an approved supplier.~~ A typical studio will require 12 – 14 reformers, and the cost is \$4,600 per reformer. This cost includes delivery to your studio including up to 2 weeks local storage if required. A larger studio may require up to 20 - 25 reformers, but such studios will normally not order all of the reformers during the first few months of operation.

~~We estimate the cost to purchase the reformer equipment including the shipping and transportation will be \$52,800 to \$70,400. This estimate assumes a cost of \$4,400 for the purchase of each reformer. This estimate also includes the costs of shipping and transportation of the reformers.~~

If you determine not to follow our system-recommended practice of purchasing the equipment, you do have the option to lease the equipment instead, however, this may increase the overall costs of the equipment. Leasing this equipment, the estimated cost to purchase this equipment outright will be substantially more and will be paid to us or our designated supplier of such equipment before you open.

Note 12. You may need to store the reformers for a short time if they arrive to the destination prior to the Studio buildout being completed. This estimate assumes that you use a short-term local storage facility to store the reformers for four weeks, and includes the costs of unloading the reformers into the storage facility and transporting the reformers from the storage facility to the studio when ready.

Note 13. You are required to purchase an initial inventory of products, specified on a schedule to your franchise agreement. This may include various items such as small office furniture, laptop computer, head cushions, mats, vacuum cleaner, and other items, depending on the size of the studio. About 40%, or \$5,600 to \$7,200 must be purchased from us or one of our affiliates. The remaining 60%, or \$8,400 to \$10,800 must be purchased from local suppliers approved by us. Included in this range is an initial supply of branded merchandise to stock the studio before launch.

Note 14. You must purchase custom made merchandise displays to be delivered to your Studio together with the reformers prior to the Opening of the Studio.

~~Note 15.~~~~Note 13.~~ You are required to ~~maintain a minimum stock of branded merchandise on hand in the Studio for sale, equal in value to at least \$2,500. The required branded merchandise includes apparel and accessories.~~

~~Note 14.~~ ~~You are required to~~ pay an annual premium for insurance coverage. The types of coverage and amounts are described in Schedule A to your Franchise Agreement.

Note 16~~15.~~ You may be required to obtain certain licenses or permits before you can operate, such as building permits, signage permits, fire inspection, sales tax permit, and retail sales permits. Fees paid for securing approvals of authorities having jurisdiction over the project will vary depending on the location and the scope of works to be undertaken. You should investigate the requirements in your area, contacts the regulatory agencies and talk with your lawyer.

Note 1746. You may need to retain an attorney to assist you in the review of the Franchise Agreement, creation of a corporate entity, and review of your lease. You may need an accountant to assist you in setting up the financial recordkeeping to operate your business. You may be required to pay certain state fees in order to create a business entity.

Note 1847. These figures do not include the salary for the studio manager, based on the assumption that you will manage the studio.

Note 1948. This is an estimate of the additional operating capital you will need during the start-up period, which is considered the initial three months after opening. The length of time covered by the initial period in the Additional Funds category is three months after opening. This estimate of additional funds needed is based upon the experience of our existing franchisees during the three-month start-up period. The amount of additional funds which you will need for this start-up period may vary based on many factors, including geographic location, the size of your studio, the number of employees, and general economic conditions. The costs for additional operating capital which you may need to pay for operating expenses such as employee payroll, inventory, utilities, products and supplies, are not included in this estimate.

Note 20. Sales tax has not been added to this range because its application and rates vary based on the state and city where the Studio is located. You should consider and budget for this expense. This expense can sometimes be partially mitigated by tenant improvement allowances that can range from \$0 to \$250,000 based on your negotiation with your landlord.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All services and products sold within your business require our prior approval. You must purchase all computers, equipment, and related supplies and furniture, fixture and equipment in accordance with our approved standards. For certain items, we may require that you purchase them from approved suppliers. You can request to use or offer alternative products, services, or suppliers, but we have no obligation to grant such requests. You must make your request in writing to use or offer any alternative product, service, or supplier, and you must provide us with any information that we may require about such alternative product, service or supplier. If you make such a request, we will respond to your request within ninety days, but our failure to respond within ninety days means that your request is denied. The criteria we consider for approving suppliers include quality and consistency, financial stability, compliance with laws and regulations, reputation and reliability, cost-effectiveness, compliance with our brand guidelines, and our exclusive supplier relationships. We do not make available to franchisees our criteria for approving ~~any particular supplier.~~ We can charge you our then current fee for evaluating any proposed alternative product, service, or supplier, and you must reimburse us for our reasonable costs including travel and lodging costs associated with considering any such request, even if we do not approve the proposed new supplier. Our current fee for evaluating proposed alternative products, services, or suppliers, is \$1,500 per day each person engaged in such evaluation. We have the right to revoke our prior approval of a previously authorized supplier, product or service.

You will receive a list of our approved standards and approved suppliers in our Operations Manual or in other written communications from us. We may amend the list from time to time. We will provide you notice in the Operations Manual or by other methods (such as email) of any changes in the standards and specifications.

You are required to purchase an initial inventory of products from us or an approved supplier, prior to the opening of your studio. The specific items, and the cost, will be specified in the schedules to your franchise agreement. About 40%, or \$5,600 to \$7,200, must be purchased from us or one of our affiliates. The remaining 60%, or \$4,400 to \$10,800, must be purchased from local suppliers approved by us. We will derive a mark-up on the cost of the products. It is recommended~~You are required~~ to maintain a minimum stock of approved branded merchandise during the operation of your Studio, equal to \$2,500 in value. The stock includes apparel and accessories.

~~You must~~~~We assume and expect that you will~~ purchase the required reformers from us, at a cost of \$4,600 per reformer. This cost includes delivery to your studio and up to 2 weeks local storage if required~~an approved supplier~~. A typical studio will require 12 – 14 reformers. A larger studio may require up to 20-25 reformers, but such studios will normally not order all of the reformers during the first few months of operation. If you decide ~~determine~~ not to follow our system-recommended practice of purchasing the equipment you do have the option to lease the equipment from a third party equipment finance company, ~~instead~~, however this may increase the overall costs of the equipment. ~~We estimate the cost to purchase the reformer equipment including the shipping and transportation will be \$52,800 to \$70,400. This estimate assumes a cost of \$4,400 for the purchase of each reformer. This estimate also includes the costs of shipping and transportation of the reformers.~~

You are required to purchase your audio visual and CCTV equipment from us, prior to the opening of your studio. The cost will vary depending on the configuration of the location. We are the only approved supplier of this equipment. We do not derive a mark-up on the costs of the audio visual and CCTV equipment which you are required to purchase.

You will be required to operate during the days and times specified in our Operations Manual, which may be amended from time to time.

You will be required to build out and equip your studio to the specifications required by us, including but not limited to: studio layout and design, leasehold improvements, specific design elements, fitness equipment packages, audio/video equipment packages and computer hardware and software.

If you will occupy your studio under a lease, you must submit the proposed lease to us for approval before it is signed. You must use your best efforts to ensure that the lease provides that (i) the initial term is at least ten years, but no longer than ten years, with at least two five-year renewal options; (ii) we get notice of any default by you under the lease, and that we have at least an additional fifteen days to cure the default, or to take over the lease; (iii) we have the option to assume the lease in the event of termination or expiration of the franchise agreement; (iv) the

landlord will allow all signage required by us, provided it meets all property specifications, local codes and ordinances, and (v) all your marketing and promotion must be conducted in a dignified and professional manner and must conform to our specified standards and requirements set forth in the Operations Manual.

You are required to purchase and maintain all of the insurance coverages to be specified in the schedule to your franchise agreement. You must furnish to us copies of all insurance policies required by the franchise agreement, and such other evidence of insurance coverage and payment of premiums as we request or permit. The following are the current insurance requirements, including the types of coverage and the amount of coverage you must maintain. Your policies must name the Franchisor as an additional insured, with an Additional Insured – Grantor of Franchise endorsement (Form No. CG20290413). These requirements may be modified from time to time by Franchisor, to require additional coverage:

A. Workers compensation insurance, and other insurance which may be required by any Governmental Authority relating to employees, including but not limited to, if applicable, unemployment insurance, disability insurance, and paid leave insurance, and cannot exclude owner-operators.

B. Commercial General Liability Insurance, including the following coverage and amounts:

<u>Required Coverage</u>	<u>Minimum Limits of Coverage</u>
<u>General Aggregate</u>	<u>\$2,000,000</u>
<u>Products/Completed Operations Aggregate</u>	<u>\$2,000,000</u>
<u>Personal and Advertising Injury</u>	<u>\$1,000,000</u>
<u>Each Occurrence</u>	<u>\$1,000,000</u>
<u>Professional Liability</u>	<u>\$1,000,000</u>
<u>Damage to Rented Premises (per occurrence)</u>	<u>\$1,000,000</u>

C. “All Risk” or special form property coverage in the amount of no less than current replacement cost of the studio’s equipment, fixtures and leaseholder improvements sufficient in the amount to restore the Studio to full operation.

D. Business interruption insurance with coverage in the amount of at least 12 months for actual losses.

E. Auto Liability (hired and non-owned autos) with a \$1,000,000 combined single limit each accident for bodily injury and property damage, for any vehicle used in the Franchised Business. Auto liability insurance is only required for an automobile used in the operation of the Franchised Business. (No automobile is currently required for

operation of the Franchised Business).

F. Employment practices liability with coverage in the amount of no less than \$1,000,000 per claim and \$1,000,000 aggregate per claim and \$1,000 aggregate per location.

G. Cyber Incidents insurance with coverage in the amount of \$500,000 per claim.

Abuse, molestation, and harassment insurance with coverage in the amount of at least \$1,000,000 per claim

You must purchase a computer system that we specify, including computer hardware, software, point of sale system, bookkeeping, inventory control systems, and high-speed network connections. You must purchase, install and operate a computer system which we specify, which is connected to the Internet. You must secure broadband Internet connection and at least 1 dedicated phone line for use in the Studio Pilates International studio. The setup costs currently range from \$500 to \$5,000. You must install our required software on your computer system, which shall give us remote access to your computer system. We currently use a cloud-based system, under which we obtain a license to use the system and services, and then give you access. You must pay us a monthly Technology Subscription, which helps to cover our costs for the license to use the software associated accounting and payroll services we specify and for the cost of our monitoring your business activities. We currently require franchisees to use Xero small business and bookkeeping software, Gusto payroll processing Xero plug-in and Workforce staff rostering and on-boarding software as well as the services of the approved bookkeeping provider. The cloud-based systems are comprised of World Manager, Google Enterprise, Mindbody and custom built KPI reporting dashboard. You may also have ongoing monthly fees for your internet and data service providers. You must secure a merchant account with a credit card processor that we approve.

We or our affiliates may in the future realize a profit or receive payments, commissions, discounts or other allowances from your purchases of products and services from approved suppliers, and, where permitted by applicable law, we or our affiliates may retain those profits, payments, rebates, discounts or allowances for our own account without having any obligation to provide any benefits to you. We do not currently have any such arrangements with any suppliers. We do not provide any material benefits to you based on your purchase of particular products or services or your use of designated or approved suppliers.

We or our affiliates may in the future negotiate purchase arrangements with suppliers for the benefit of our franchisees. We may derive revenue under such arrangements from the suppliers from the supply of approved products or services to our franchisees. Currently, we have no such arrangements in place. There are not currently any purchasing or distribution cooperatives.

We estimate that your required purchases and leases from us, our affiliates, or approved suppliers, will be about 35-50 percent of all your purchases and leases to be made in establishing the business. We estimate that your required purchases and leases from us, our affiliates, or approved suppliers, will be about 10 percent of all your purchases and leases to be made while operating the business. In ~~2024~~~~2023~~, our revenue from required purchases and leases of products and services by franchisees was ~~\$1,311,979~~~~58,599~~, which was ~~68.6~~~~12.99~~% of our total annual revenue.

Item 9

FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section of Franchise and Related Agreement	Item in Disclosure Document
(a) Site selection, acquisition/lease, and Site assistance	2, 12 and 13	5, 6, 7, 8 and 11
(b) Pre-opening purchases/leases and initial support	2.6, 12, 14, and Schedule 4	5, 6, 7, 8 and 11
(c) Site development and other preopening requirements	10, 12, 13, 16, and 17	5, 6, 7, 8 and 11
(d) Initial and ongoing training	16	5,6,7 and 11
(e) Opening	2, 13.4, 18.1	7,8 and 11
(f) Fees	3, 16, 18	5, 6 and 7
(g) Compliance with standards and policies/Confidential Operations Manual	1, 2, 4, 5, 6, 8, 13, 17	8, 11
(h) Trademarks and proprietary information	4, 5, 18, 19	13 and 14
(i) Restrictions on products/services offered	2, 6	8, 11 and 16
(j) Warranty and customer service requirements	8	None
(k) Territorial development	2	12
(l) Ongoing product/service purchases	6, 14	6 and 8
(m) Maintenance, appearance and remodelling requirements	12, 13	6,7 and 8
(n) Insurance	22	6,7 and 8
(o) Advertising	18	6, 7, and 11
(p) Indemnification	23	6
(q) Owner's participation/ management/staffing	17	6 and 15
(r) Records and reports	17	6 and 8
(s) Inspections and audits	17	6,8 and 11
(t) Transfer	25	6 and 17
(u) Renewal	26	6 and 17
(v) Post-termination obligations	28	17
(w) Non-competition covenants	24	17
(x) Dispute resolution	29	6 and 17

(y) Owner's guaranty	34	15
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Item 10
FINANCING

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

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we need not provide any assistance to you.

Before you open your Studio Pilates International studio, we will provide you with:

1. Operations Manual.

We will give you access to our Operations Manual via an internal secure electronic learning platform which we call Huddle. Access to the Operations Manual is restricted to our franchisees and is protected by a personal login and password to ensure confidentiality. Each folder section of the Operations Manual contains detailed sub-sections or files~~folders~~ relating to the subject~~topic~~, to provide comprehensive coverage of items required for the operation of the franchise. We regularly update the content to reflect the latest operational practices, procedures, and compliance guidelines. We can make these revisions at any time. (Franchise Agreement Section 5.4). The subjects covered in the electronic Operations Manual are described in Exhibit C.

2. Initial Training.

We will provide an initial training program, for a fee. One segment focuses on training the Pilates instructors. A second segment focuses on how to operate the business from an administrative and marketing perspective. (Franchise Agreement Section 16). The initial training is described in greater detail below.

3. Site Selection

All site selections must be pre-approved by us. You must provide us with reasonable information regarding any potential site that we may require in connection with our evaluation of your proposed location. We will review the information on potential sites which you provide. (Franchise Agreement Sections 2.2 and 12.1[e]). We may, but we are not required to, visit proposed sites with you. We retain the right to disapprove a proposed site based on factors such as neighbourhood, traffic patterns, access, parking, size, layout, design, length of availability, the terms of any proposed lease or purchase contract and other factors. We will approve or refuse to approve a proposed site within 30~~45~~ days after the receipt of all information that we may reasonably require. If we disapprove a site, you must locate another site.

You must locate your site, secure our approval, sign your lease, and open your studio before the opening deadline, which will be specified in the schedules to the Franchise Agreement. The opening deadline will be 12~~is usually twelve~~ months from the date of signing the Franchise Agreement. If you demonstrate that you are actively working toward commencing operations, and you are otherwise in compliance with your obligations, we may grant you a six-month extension of time. If we fail to agree on a site and if you fail to open by the opening deadline, then we can terminate the Franchise Agreement.

You bear the responsibility for selecting a location and negotiating a lease for your Studio Pilates International studio. Should you choose to engage our preferred team of real estate brokers they will provide assistance to search for the location and negotiate the letter of intent with the landlord. Generally we do not own the premises and lease it to you. You must provide us with a copy of the lease for any potential location before you enter the lease. You are not permitted to relocate your business or open additional studios within your territory without our prior written approval. (Franchise Agreement Section 2.2).

If you sign a multi-unit option addendum, you must find a suitable location for the additional studio before the end of the 12-month option period. We must approve the location. We will approve a site for the additional studio using our then-current site criteria. We retain the right to disapprove a proposed site based on factors such as neighbourhood, traffic patterns, access, parking, size, layout, design, length of availability, the terms of any proposed lease or purchase contract and other factors. We will approve or refuse to approve a proposed site within 30~~45~~ days after the receipt of all information that we may reasonably require. If we disapprove a site, you must locate another site. If we fail to agree on a site within the required time limit, then we can terminate the multi-unit option addendum.

4. Studio Build-Out Design Plans

Once a location has been approved, the approved Architectural team will design and provide to you formal build-out plans for the design of the studio ready for submission to the local government agency for permits. Our fee for providing these plans and services is included in the Architectural Package Fee. (Franchise Agreement Section 13.3).

The build-out plans will include standard mechanical, electrical, and plumbing engineering documentation, drawings and specifications, including quality levels and performance criteria of materials and systems, and other requirements for tenant improvement. The build-out plans will incorporate the design requirements of governmental authorities having jurisdiction over the project, to obtain a building permit. The plans may be subject to exclusions that extend above and beyond the standard scope such as sound engineering, traffic reports and access consultation, extensive structural engineering, and underground plumbing or electrical outside of the tenancy boundaries. The Architectural Package Fee does not include construction administration services undertaken by the Architect, such as site inspection, review & evaluation, 3D renderings, submittal and shop drawings, attendance and participation in owner-architect-contractor meetings, responses to requests for information, observation reports and work evaluations, making revisions in drawings, specifications or other documents when such revisions are inconsistent with approvals

or instructions previously given, and “as built” drawings of any modifications made during construction.

5. Furniture, Fixtures, and Equipment (including Audio Visual and CCTV Systems)

Before you open your studio, we will provide you with the written specifications for the initial supplies, equipment, audio visual and CCTV systems and exterior and interior signs required for the studio. You will be responsible for purchasing such items to equip the studio according to our requirements for fixtures, furnishings, equipment, audio visual and CCTV systems, interior and exterior signage, artwork and graphics. If we have selected approved vendors and suppliers from whom we require or recommend you purchase such items, we will provide you names of such suppliers. In many cases, such as the initial inventory, reformer equipment, and audio-visual and CCTV systems, we require you to purchase such items from us or our affiliates. (Franchise Agreement Sections 1.1, 13.3, and 14). We do not directly deliver or install the equipment, but we do coordinate the delivery and the installation of the audio-visual and CCTV systems. We will not help coordinate the delivery and installation of any equipment which we have not authorized you to purchase and install.

6. Computer system requirements

We will provide you with the hardware and software requirements for your computer system. (Franchise Agreement Section 15.1). You must purchase a PC with a keyboard, mouse, and high-speed internet access. We estimate the cost of the computer systems to be \$2,500 to \$4,000. You must install our required software on your computer system, which will give us remote access to your computer system. We currently use a cloud-based system. We currently require franchisees to use Xero small business and bookkeeping software, Gusto payroll processing Xero plug-in and Workforce staff rostering and on-boarding software. The cloud-based systems are comprised of World Manager, Google Enterprise, Mindbody and custom built KPI reporting dashboard. The computer system is used to collect and store data regarding your bookkeeping. At your sole expense, you must maintain and upgrade your computer system, to meet our requirements. We will update these requirements from time to time. We will monitor your business activities and perform certain basic bookkeeping functions remotely using this system.

You must pay us a monthly Technology Subscription, in return for the license to use the required software, and for monitoring your business activities remotely. Our current monthly fee for the cloud computing software and monitoring your business activities remotely range from \$1,~~600~~500 to \$1,800. Apart from this monthly Technology Subscription, we do not expect that you will have any other regular annual costs for any optional or required maintenance, updating, upgrading or support contracts for your computer systems. We do not have any contractual obligation for maintenance, repairs, updates and upgrades to your computerized system. You should expect to be required to upgrade your PC every 3-5 years at an estimated cost of \$2,000 to \$3,000. There are no contractual limits on the frequency and cost of your obligation to maintain, upgrade and update the computer systems in conformance with our directives. The computer system is designed to enable us to have immediate access to the information on the system, and there is no contractual limitation on our access or use of the information. We will have the right to collect

and retain from your computer system all data concerning your studio, and to use that data for the purposes permitted by the franchise agreement. From time to time during the franchise agreement, we may add or change the required tools, platforms and subscriptions, and we may increase or decrease the cost of the Technology Subscription.

7. Initial Training

INITIAL TRAINING PROGRAM

The initial training program is required for you and any of the persons named in your Franchise Agreement as “Key People.” The “Key People” are the people who you identify when you sign the Franchise Agreement that will be responsible for personally supervising the operation of the Franchised Business and that will be devoting their full time and attention to the carrying on of the Franchised Business. All of the training will take place either online, via videoconference, or at your location.

The initial training program will be conducted on an as-needed basis, when we add a new franchisee. You must complete the initial training program at least thirty days before you open your Franchised Business.

Additional training or refresher courses are only required on an as-needed basis, if you or we decide that you or certain Key People require additional training. If an additional training or refresher course is required, you must pay us our then current additional training fees.

You must pay the travel and lodging expenses for our instructor to travel from Australia to your location for the face to face and on-the-job training. You must pay the wages and benefits for your own employees who attend the initial training or additional training.

TRAINING PROGRAM

Segment 1 - Pilates Instructor Training

<u>Subject</u>	<u>Hours of Classroom/Online Training</u>	<u>Hours of Face to Face On-the-Job Training</u>	<u>Location</u>
<u>Anatomy</u>	<u>40 hours of online study</u>	<u>4 hours (one half day) workshop</u>	<u>Online and at your location</u>
<u>How to teach a class – description and demonstration</u>	<u>40 hours of online study</u>	<u>40-42 hours (5 or 6 days) face-to-face course</u>	<u>Online and at your location</u>
<u>How to teach a class – on-the-job training and shadowing</u>	<u>10 hours of online study</u>	<u>15-30 hours of on-the-job training</u>	<u>Online and at your location</u>

Instructors for this segment include:

1. Holly Heath. Holly has been an Instructor Trainer, in the Asia Pacific region, for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2019. She has 5 years’ experience in the field of Pilates instruction, which is the subject taught.
2. James Mangahas. James has been the Global Instructor Training Director for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2009. He has 16 years’ experience in the field of Pilates instruction, which is the subject taught. He is a University qualified physiotherapist in Australia.
3. Natalie Dwyer. Natalie has been the National Instructor Training Manager, Asia Pacific, for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2015. She has 8 years’ experience in the field of Pilates instruction, which is the subject taught.
4. Jade Winter. President and Director. (See Item 2). He has 21 years’ experience in the field of Pilates instruction, which is the subject taught.
5. Jacqueline Tuorto. Jacqueline has been an Instructor Trainer, with Studio Pilates International USA since 2021. She has 24 years’ experience in the field of Pilates instruction, which is the subject taught.
6. Kathy Abbot. Kathy has been an Instructor Trainer, with Studio Pilates International USA since 2020. She has 11 years’ experience in the field of Pilates instruction, which is the subject taught
7. Greg D’Adamo. Greg has been an Instructor Trainer, with Studio Pilates International USA since 2023. He has 4 years’ experience in the field of Pilates instruction, which is the subject taught.

Segment 2 - Business Operations Training

<u>Subject</u>	<u>Hours of classroom/online training</u>	<u>Hours of on-the-job/face-to-face training</u>	<u>Location</u>
<u>Franchisee Induction</u>	<u>Two hours online training</u>		<u>Online</u>
<u>Business Bootcamp</u>	<u>Five hours online training</u>		<u>Online</u>

<u>Daily Operations</u>	<u>16 hours of online and videoconference</u>		<u>Online and videoconference service</u>
<u>Human Resources</u>	<u>5 hours of online and videoconference</u>		<u>Online and videoconference service</u>
<u>Staffing your Studio and Instructor Training</u>	<u>15 hours of online and videoconference</u>		<u>Online and videoconference service</u>
<u>Marketing & Lead Generation</u>	<u>15 hours of online and videoconference</u>		<u>Online and videoconference service</u>
<u>Team Leadership and Management Operations</u>	<u>10 hours of online and videoconference</u>		<u>Online and videoconference service</u>

The instructors for this segment include the following:

1. Kimberly Roberts. Kimberly has been the Global Business Operations Training Manager for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2014, and before that time she operated and managed our affiliate’s location in Hawthorne Queensland, Australia, since 2010. She has 14 years’ experience in the field of Studio Pilates International business operations, which is the subject taught. Kimberly is supported by her Business Operations Training team including Holly Heath, Rachel Perrin and Sam Summerfield who also provide this training to franchisees. Kimbely will be on maternity leave from mid-2025 and returning mid-2026. In the interim, Holly Heath will be the interim training manager.

2. Jackie Hill. Jackie has been the National Marketing Manager, in the Asia Pacific region, for our affiliates Studio Pilates International Australia Pty Ltd and Studio Pilates International Franchising Pty Ltd, since January 2023, and has been performing key marketing roles for these companies since November 2022. She has over 16 years of marketing experience, working in various management roles and with international companies.

The materials used for this segment include our online course content, videos, written materials, and online pre-course exams, online post-course exams, and practical assessments.

Opening of Business

We will provide face-to-face or virtual business operations training at your location on the day of your grand opening. The details are described in more detail below.

You must open the business for operation to the public by the Opening Deadline, which will be specified in Schedule 2 of your franchise agreement. (Franchise Agreement, Section 13.4).

The typical length of time between the signing of the franchise agreement and the time you open your studio to the public is about ~~three to six~~ to nine months. Your total time may be shorter or longer depending on a number of factors, such as the time it takes you to find an acceptable location, the commercial real estate market, the time it take you to obtain any financing that you need to obtain, the time it take you to obtain the necessary permits or license, the time it takes for the build-out and construction of the studio, as may be affected by labor issues, weather conditions, material availability and other factors.

In the event that you do not open within the required time frame, we have the option to terminate your franchise agreement. (Franchise Agreement, Section 27.1).

During the operation of your Studio Pilates International studio, we will provide you with:

1. Ongoing Training.

We will offer and conduct face-to-face on-site training to you, by a single instructor, at your location, in return for our then current fees. (Franchise Agreement, Section 16.1). The training is mandatory for any new instructors, provided on an as-needed basis. The current fees are as follows:

If you pay for the training session yourself, then you must pay us a flat ~~16~~15,000 on-going training fee, which will cover instructor training for up to six people. The cost for each additional person is \$1,000 - \$2,500 per person depending on prior experience.

If you ask the individual instructors to pay for it themselves, then the instructors must pay us \$1,000 - \$2,500 per person, depending on prior experience. We keep the full amount of the per person fees paid, even if it exceeds ~~\$16~~\$15,000. If you have less than six individual instructors who are paying for their own initial training, then you will have to pay us the shortfall below \$15,000, so that we receive at least ~~\$16~~\$15,000.

We also provide an annual conference, normally in Hawthorne, Queensland, Australia, but which may also be held in different countries, which you will be required to attend. There is a fee to attend, currently projected to range between \$1,500 - \$2,500 depending on the location, and you will be required to pay for the transportation, meals, lodging, and salaries for you and any of your employees to attend the conference. (Franchise Agreement, Section 16.9).

2. Ongoing Advice

We may provide you with on-going advice, from time to time, as often as we decide with respect to the methods and procedures for marketing and sale of the services, administrative, book-

keeping, accounting and general operating procedures, updates on equipment and fitting requirements, and general management and administrative guidance and assistance. (Franchise Agreement, Sections 4.4, 6(f), and 16.4).

3. Monitoring

We will monitor your performance remotely, and keep track of whether you are meeting the required minimum sales figures, specified in Schedule 2 of your franchise agreement. (Franchise Agreement, [Section 17.2](#)).

4. Advertising Support.

Any advertising requires our prior approval. We will discuss and advise on marketing and advertising issues with you, as we deem necessary. (Franchise Agreement Section 18). We may provide you with advertising materials or designs from time to time, as we deem necessary. (Franchise Agreement, Section 18.3). The media coverage for any advertising will be primarily local. You must obtain our approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by us and previously approved by us during the twelve months prior to their proposed use. There is no advertising council of franchisees that advises us on our advertising policies.

5. Pricing.

We will set recommended prices at which you may provide the services and branded products to customers. (Franchise Agreement, Section 6[e]). These prices will be disclosed in the Operations Manual and may be revised by us from time to time as we consider necessary. You have the final decision as to the prices to be charged, but you must set those prices within the pricing model approved by us. For example, if the approved model provides for the purchase of groups of passes, you can set the price for the passes, but if we have not approved a membership model, then you cannot offer memberships. (Franchise Agreement, Section 6[e]).

~~5.6.~~ Website

On our website, we will list your studio location. You may not establish or operate your own web site or web address for your studio. (Franchise Agreement, Section 15.3). You may not establish or use social media to promote your studio without our express consent and only subject to whatever conditions and requirements we may impose, which shall include strict compliance with our social media policies. (Franchise Agreement, Section 15.3). You may not secure or register any domain names relating to your Studio Pilates International studio or that contain any of our trademarks. (Franchise Agreement, Section 19.8).

~~6.7.~~ Marketing Fund

You must contribute to our system-wide advertising and promotional fund called the Marketing by paying a fee of two percent (2%) of your gross sales. If 50% of the franchisees in the network agree, we may increase the percentage amount which each franchisee must contribute to the Marketing Fund. The fund will be used to support and pay for advertising, marketing and

promotion efforts we designate, and associated administrative expenses with the management of the fund. All marketing materials will be prepared by us or our advertising/public relations/promotional agencies. The fund may be used to pay for the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs in the manner that we decide. In addition, the fund may be used for the costs of soliciting prospective franchisees. In addition, the fund may be used to pay for the costs of the personnel who manage the advertising and promotional programs for the fund and for reasonable administrative costs and overhead incurred in the activities related to the fund. Company-owned and affiliate-owned studios, if any, will contribute to this fund, at the same rate as that required of franchisees. (Franchise Agreement, Section 18.4). During the last fiscal year of the fund (ending on December 31, ~~2024~~2023), the fund spent ~~57.950%~~ 57.950% of the funds collected in that year on Google Adwords, ~~20% on other paid digital advertising, 6% on prizes and promotions, and 3% on digital stack software subscription.~~ The fund did not spend any funds to solicit new franchise sales. The remaining unspent funds from the last fiscal year have been rolled over to the ~~2025~~2024 fiscal year and will be spent on future marketing fund activity.

We will administer the fund and we will make available to franchisees an annual unaudited financial statement 120 days following the fiscal year end upon request. The fund is not audited. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the fund, neither we nor any affiliate will receive any payment for providing services or products to the fund. If we spend more than the contributions accumulated in the fund during any fiscal year, we may receive, on demand, reimbursement in later years to the extent of the excess expenditure. We will not be required to spend any amount from the fund on advertising or promotions in your area. Any local, regional or national advertising efforts may not equitably reach all markets. If any contributions to the fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they will remain in the fund for use in following years. We may terminate the fund at any time, but we will not do so until all monies in the fund have been spent for the purposes described in the franchise agreement or returned to contributors on a prorated basis. (Franchise Agreement Section 18.4).

7.8. Advertising Cooperatives.

As of the date of this Disclosure Document, we have not yet established any advertising cooperatives in any geographic area. We however anticipate that we will set up cooperative advertising programs in certain geographic areas which we will designate. The geographic area of the advertising cooperative will normally be a city, county, metropolitan area, or state. A cooperative advertising program is designed to pool the funds of studios located within a particular geographic area in an effort to create more effective local advertising campaigns.

The cooperative advertising program will be administered by a council. The members of the council will be nominated and elected by the franchisees located in the advertising cooperative area, subject to our approval. The advertising cooperative must operate from written governing documents prepared by us. We have not yet prepared the governing documents, and so they are not available for you to review.

The council will set the amount of the cooperative advertising program fee, which shall not exceed 2% of gross sales, which shall be uniformly imposed on all franchisees and franchisor-owned studios in the designated geographic area. We will collect the advertising cooperative fee for the council, and remit it to the cooperative advertising council. The fees are not refundable. The council will make the decisions regarding the use of the advertising cooperative funds. (Franchise Agreement, Section 18.5).

The council may decide to prepare annual or periodic financial statements, and to make these statements available for review by the franchisees in the cooperative advertising program area. In that case, the costs of such financial statements, if any, will be paid for from the fees collected for the cooperative advertising program. If we establish an advertising cooperative, we have the power without any limits to change, dissolve or merge any advertising cooperatives that have been established. Franchisor-owned studios participate in the advertising cooperatives in the same manner as franchisee-owned studios.

INITIAL TRAINING PROGRAM

TRAINING PROGRAM

Segment 1—Pilates Instructor Training

Subject	Hours of Classroom/Online Training	Hours of Face to Face On-the-Job Training	Location
Anatomy	40 hours of online study	4 hours (one half day) workshop	Online and at your location
How to teach a class—description and demonstration	40 hours of online study	40-42 hours (5 or 6 days) face-to-face course	Online and at your location
How to teach a class—on-the-job training and shadowing	10 hours of online study	15-30 hours of on-the-job training	Online and at your location

Instructors for this segment include:

- ~~1. Holly Heath. Holly has been an Instructor Trainer, in the Asia Pacific region, for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2019. She has 4 years’ experience in the field of Pilates instruction, which is the subject taught.~~
- ~~2. James Mangahas. James has been the Global Instructor Training Director for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2009. He has 15 years’ experience in the field of Pilates instruction, which is the subject taught. He is a University qualified physiotherapist in Australia.~~

3. ~~Natalie Dwyer. Natalie has been the National Instructor Training Manager, Asia Pacific, for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2015. She has 7 years' experience in the field of Pilates instruction, which is the subject taught.~~
4. ~~Jade Winter. President and Director. (See Item 2). He has 20 years' experience in the field of Pilates instruction, which is the subject taught.~~
5. ~~Jacqueline Tuorto. Jacqueline has been an Instructor Trainer, with Studio Pilates International USA since 2021. She has 23 years' experience in the field of Pilates instruction, which is the subject taught.~~
6. ~~Kathy Abbot. Kathy has been an Instructor Trainer, with Studio Pilates International USA since 2020. She has 10 years' experience in the field of Pilates instruction, which is the subject taught.~~
7. ~~Greg D'Adamo. Greg has been an Instructor Trainer, with Studio Pilates International USA since 2023. He has 3 years' experience in the field of Pilates instruction, which is the subject taught.~~

Segment 2 – Business Operations Training

Subject	Hours of classroom/online training	Hours of on-the-job/face-to-face training	Location
Franchisee Induction	Two hours online training		Online
Business Bootcamp	Five hours online training		Online
Daily Operations	16 hours of online and videoconference		Online and videoconference service
Human Resources	5 hours of online and videoconference		Online and videoconference service
Staffing your Studio and Instructor Training	15 hours of online and videoconference		Online and videoconference service

Marketing & Lead Generation	15 hours of online and videoconference		Online and videoconference service
Team Leadership and Management Operations	10 hours of online and videoconference		Online and videoconference service

The instructors for this segment include the following:

- ~~1. Kimberley Dullahide. Kimberly has been the Global Business Operations Training Manager for our affiliates, Studio Pilates International Australia Pty Ltd. and Studio Pilates International Franchise Pty Ltd., since 2014, and before that time she operated and managed our affiliate’s location in Hawthorne Queensland, Australia, since 2010. She has 13 years’ experience in the field of Studio Pilates International business operations, which is the subject taught. Kimberly is supported by her Business Operations Training team including Holly Heath, Rachel Perrin and Sam Summerfield who also provide this training to franchisees. Kimbely will be on maternity leave returning the last quarter of 2024. In the interim, Holly Heath will be the interim training manager.~~
- ~~2. Jackie Hill. Jackie has been the National Marketing Manager, in the Asia Pacific region, for our affiliates Studio Pilates International Australia Pty Ltd and Studio Pilates International Franchising Pty Ltd, since January 2023, and has been performing key marketing roles for these companies since November 2022. She has over 15 years of marketing experience, working in various management roles and with international companies.~~

~~The materials used for this segment include our online course content, videos, written materials, and online pre-course exams, online post-course exams, and practical assessments.~~

~~The initial training program is required for you and any of the persons named in your Franchise Agreement as “Key People.” The “Key People” are the people who you identify when you sign the Franchise Agreement that will be responsible for personally supervising the operation of the Franchised Business and that will be devoting their full time and attention to the carrying on of the Franchised Business.~~

~~The initial training program will be conducted on an as-needed basis, when we add a new franchisee. You must complete the initial training program at least thirty days before you open your Franchised Business.~~

~~Additional training or refresher courses are only required on an as-needed basis, if you or we decide that you or certain Key People require additional training. If an additional training or refresher course is required, you must pay us our then-current additional training fees.~~

~~You must pay the travel and lodging expenses for our instructor to travel from Australia to your~~

~~location for the face to face and on-the-job training. You must pay the wages and benefits for your own employees who attend the initial training or additional training. All of the training will take place either online, via videoconference, or at your location.~~

Item 12 **TERRITORY**

Your right to operate a Studio Pilates International studio pursuant to a Franchise Agreement is limited to the location set forth in the franchise agreement.

Your site may not be changed without our written approval and compliance with our relocation procedures, and you may not operate out of any site other than the approved site without our written approval. All sales must be made from the approved site.

Unless you have signed a Multi-Unit Option Addendum with us, you do not have a right to develop and open additional Studios. You do not have any options or similar rights to acquire additional Studios.

If you enter into a Multi-Unit Option Addendum to open additional locations, you will pay us a non-refundable additional option fee of \$35,000 for one additional location, or \$60,000 for two additional locations, to be paid when you sign the Multi-Unit Option Addendum. The Multi-Unit Option Addendum gives you the option to open one additional studio in the agreed first option territory provided that you enter into the Franchise Agreement and the lease for the additional location within ~~over a~~ one year after the initial franchise agreement term commencement date (the earlier of the opening deadline, the actual opening date~~period~~, or the commencement date for the Lease), or two additional studios provided that you enter into the Franchise Agreement and the lease for the first additional location within ~~one over a two~~ year after the initial franchise agreement term commencement date, and you enter into the Franchise Agreement and the lease for the second additional location within one year later~~period~~, under the terms of our then-current form of franchise agreement, ~~within your agreed development territory.~~ We will approve sites for the additional Studios under the Multi-Unit Option Addendum using our then-current site criteria. Upon establishing each additional location under the Multi-Unit Option Addendum, you will be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

If you have not determined your location at the time you sign the Franchise Agreement, you must select the site for your Studio from within the non-exclusive “Search Area” identified in Schedule 2 to your Franchise Agreement. The Search Area will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area. We identify the Search Area for the sole purpose of facilitating the orderly development of the market, and not for purposes of granting you any exclusivity or protection within the Search Area. The Search Area description set forth in Schedule 2 is subject to change upon mutual written agreement by you and us. You have no rights in the Search Area other than the right to identify a proposed site for your Studio in that Search Area. You must identify a location within the required time. We must approve your location. As

a condition for our approval of your location and Protected Territory, you must provide us with a signed Consent and Release Form, in the form attached to this disclosure document.

Once your location is determined, we will designate a territory in your franchise agreement or the Location Addendum in which we may not franchise or license others, and we may not directly or indirectly develop, to own, lease, construct or operate, a Studio Pilates International studio in the geographic area covered by your territory designated in your franchise agreement (“Protected Territory”). The shape and size of the Protected Territory will be determined by ~~us~~the Franchisor based on the density of population and other demographics. There is no minimum area that we are required to designate for your Protected Territory. You are not allowed to conduct marketing directed to people outside your Protected Territory, including use of other channels of distribution, such as the Internet (other than the authorized use of approved social media pages owned by the Franchisor and shared with the Franchisee), catalogue sales, telemarketing, or other direct marketing, without our prior written approval, except that we do permit you to market to your immediately adjacent territory provided that it is not already sold to another franchisee. You are not authorized to use the internet for marketing except for using social media pages which we approve and own, and which we share with you. ~~We~~The Franchisor may use the internet to market your franchise on your behalf. This marketing may be displayed in your Protected Territory and it may be displayed in others. Conversely, internet-based marketing for our other franchisees may be displayed in your Protected Territory. We may offer similar or dissimilar services or products in your protected territory through alternative channels of distribution while using our principal trademark, and while using trademarks other than our principal trademark. We do not pay franchisees any compensation for soliciting or conducting business within the franchisee’s protected territory. You will not receive an exclusive territory. ~~-, in the sense that~~ you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or ~~other~~ competitive brands that we control.

You are required to meet the minimum monthly sales requirements that will be specified in the schedule to the franchise agreement. The minimum monthly sales requirements for the first year will be: first three months - \$20,000 gross income per month; between 4-6 months - \$22,000 gross income per month; between 7-9 months - \$25,000 gross income per month; between 10-12 months - \$27,000 per month. Each year after, we will agree on a new minimum monthly sales requirement for the coming year. If we cannot agree, the minimum monthly sales requirement for the coming year will be 105% of the previous year’s requirement. If you do not meet these monthly sales figures, we have the right to terminate the franchise agreement, or take alternative action, such as intervene in the operation of the studio for the purpose of assisting you to achieve the minimum monthly sales requirement, require that you and your key staff undertake and pay for additional training, or modify your protected territory. ~~to impose other requirements in lieu of termination such as modification of your protected territory.~~

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. We have not established, nor do we presently intend to establish, other franchised or company-owned businesses that are similar to the Studio Pilates International business and that sell our approved products and services under a different tradename or trademark, but we reserve the right to do so in the future without your consent.

Item 13 **TRADEMARKS**

We grant you the non-exclusive right and obligation to operate a studio using our trademarks, including the stylized design of “SP Studio Pilates International”, and such other trademarks, service marks, trade names, logos, trade dresses, and commercial symbols (“trademarks”) that we make available to you, for providing services and products under the Studio Pilates International Business System. You may not use any of our trademarks as part of any legal entity name, web site address, email address, domain name or other identification in any print, electronic or other medium, or with any prefix, suffix or other modifying word, term, symbol or design. You may not use our trademarks for the sale of unauthorized services or products or in any manner we have not authorized in writing. All rights in and good will from the use of our trademarks accrue solely to us.

Trademark Registration

Our affiliate, Studio Pilates International Pty Ltd, as trustee for, The Studio Pilates IP Trust, has registered the principal trademark, a stylized design of “SP Studio Pilates International” below, on the Principal Register of the United States Patent and Trademark Office, in the categories of fitness services and franchise services. Fitness Services: Reg. No.: 4204256. Reg. Date: Sept. 11, 2012; Franchise Services: Reg. No. 5901254; Reg. Date: Nov. 5, 2019. All required affidavits have been filed.



[Our affiliate, Studio Pilates International Pty Ltd, as trustee for, The Studio Pilates IP Trust, has a pending trademark registration application with the United States Patent and Trademark Office for the word mark “Studio Pilates International”, filed November 21, 2024, Serial No. 98866762.](#)

We have the right to use and sublicense the Marks under a ten-year license agreement, with two renewal terms of ten-years each, between Studio Pilates International Pty Ltd. and us, dated May 27, 2024 (“Trademark License Agreement”), which permits us to use and sublicense use of the relevant intellectual property to Franchisees. The Trademark License Agreement can only be terminated for cause. If our rights under the Trademark License Agreement are terminated, then our franchise agreements with our Franchisees shall be immediately transferred from us to our affiliate Studio Pilates International Pty Ltd.

Superior Prior Rights or Infringing Uses

We are not aware of any claims of superior prior rights or infringing uses that could materially affect your use of the Mark.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the franchise.

Copyrights

Various marketing, sales, training, management and other materials (including Studio Pilates International specifications and plans) that we have created or may create in the future are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of promoting your franchised business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. All of the provisions in Item 13 under the heading "Protection of Rights" also apply to copyrights.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

Proprietary Information

We have proprietary, copyrighted manuals that include guidelines, standards and policies for the operation of your business, and other proprietary, copyrighted materials. Item 11 describes the manuals and the manner in which you may use them. All proprietary manuals and materials provided to you are for your exclusive use during the term of the franchise, and may not be reproduced, copied, loaned to, used by or shown to any person outside the Studio Pilates International system without our permission.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. You (if you are an individual) and any other managers who you identify in the schedule to your franchise agreement as "Key People", are required to personally supervise the operation of the studio, must devote their full time and attention to the carrying on of the business, and are not allowed to be part of or conduct a similar business. The "Key People" are not required to have an equity interest in your franchised business, but they must successfully complete training.

You must have each manager, employee, independent contractor or person attending initial training sign a confidentiality and non-solicitation agreement before you grant him or her access to our manuals or any other confidential information, in which he or she agrees to the confidentiality of the Studio Pilates International system, agrees not to use any information about the system for his or her own benefit without consent, and agrees not to compete in certain respects with your business and other franchisees' businesses.

If you are a legal entity, each shareholder, principal officer, partner, or member must personally guarantee your obligations under the franchise agreement by signing the franchise agreement as a guarantor, and will be personally bound by, and personally liable for breach of, the franchise agreement.

Item 16 **RESTRICTIONS ON WHAT FRANCHISEE MAY SELL**

You must market, supply and sell only those services and products that we specify, strictly in accordance with the Operations Manual and all directions issued by us. You must not make any changes or alterations to the services and products without our prior written consent. You must supply the whole range of the products and services we specify.

We must approve all services and any products sold within your franchised business. You will receive a list of approved services and products in our Operations Manual or in other written communications from us. We may amend the list from time to time. You may not use or permit the use of your premises for any other purpose or activity at any time without first obtaining our written consent.

You must be open for business each week for minimum hours and days as stated in our Operations Manual, or other written notice from us, unless you are limited by local government regulation, you obtain a written variance from us, or we require you to allow us to use your Studio for local training.

You are not restricted in the consumers to whom you may sell your approved services or products. However, you may sell services or products only at the premises of your Studio Pilates International studio. Your advertising should be conducted primarily within your protected territory.

From time to time, but not more than two times in any twelve-month period, we may require you to allow us to use your studio to host a multi-day local training course for new franchisees or prospective staff. Each time we use your studio for a training course, the training course may last up to 6 days. During each course, it is possible that you may be unable to operate your regularly scheduled classes for up to 8 hours each day of the course. Most of the time, but not always, the training courses may operate outside of the standard class times in most locations and will often be held in quieter times of the day. As a result of the local training courses, you may need to cancel some of your regularly scheduled classes during the local training courses and try to place customers into alternate class times. We will give you reasonable advance notice when

we need to use your studio for a local training course. You will not receive any reimbursement for any lost revenue caused by the fact that we are using your studio or any costs incurred by you during the time that we are using your studio.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section in Franchise Agreement	Summary
(a) Term of the franchise	2.1 and Schedule 2	Normally 10 years. Length of term shall be negotiated with Franchisor and set forth in Schedule 2.
(b) Renewal or extension of the term	26	You have the right to renew for a renewal term, if you meet the requirements for renewal. The length of the renewal term shall be negotiated with Franchisor and set forth in Schedule 2.
(c) Requirements for franchisee to renew or extend	26.1	Notice by you no earlier than 9 months and no later than 6 months before the expiration of the term that you desire to renew the Agreement for the further term. Notice by you; you are not in default, you pay us the renewal fee, you pay our costs for renewing including legal costs of preparing any necessary documentation, we are still offering new franchises, and you sign our then current form of Franchise Agreement which may contain terms which are materially different than your then-existing Agreement.
(d) Termination by franchisee	Not Applicable	Franchisee may terminate for any reasons allowed under the law. Not applicable.
(e) Termination by franchisor without cause	Franchise Agreement, Section 27.5, and Multi-Unit Option Addendum, Section 23.	The Franchise Agreement does not provide for termination without cause, except that termination of any Multi-Unit Addendum permits Franchisor to also terminate single unit Franchise Agreements entered into under the Multi-Unit Option Addendum, and termination of any Multi-Unit Option Addendum due to the franchisee's fault permits franchisor to also terminate any single unit Franchise Agreement.
(f) Termination by franchisor with cause	27	We may terminate the franchise with cause.
(g) "Cause" defined-curable defaults that can be cured	27.2 and 27.3	The following events constitute curable defaults: failure to make payment to Franchisor; failure to submit reports; failure to comply with Operations Manual and standards of conduct; unauthorized use of trademarks or intellectual property; failure to hold confidential information in confidence; failure to comply with non-competition restrictions; failure to comply with any other obligation not mentioned in (h) below.

(h) "Cause" defined-defaults that cannot be cured	27.1, 27.4, 27.5	The following events constitute non-curable defaults: franchisee acts fraudulently in connection with the operation of the studio; franchisee is the subject of a bankruptcy petition, becomes bankrupt, or is insolvent; franchisee has an administrator or receiver appointed to all or any of its assets; franchisee has an application or other steps made for winding up or dissolution; conviction of the franchisee or a principal of the franchisee of a felony, any financial crime, any crime involving misrepresentations, any crime of moral turpitude, or any crime demonstrating reckless disregard for the physical safety of others; franchisee conducts franchised business in a way that endangers public health or safety, franchisee voluntarily abandons the studio or the franchise relationship, principals or franchisee losses license required to carry on the studio; franchisee fails to honor on more than 2 occasions during any 12 month period any payment obligation; franchisee repeatedly or consistently fails to pay any amount due in connection with operating the studio franchisee or its principals carry on the studio business in such a manner that harms or adversely affects the reputation or goodwill of the franchise system, the franchisor, or any other franchisee; studio business is not profitable; studio business does not meet 50% of the minimum financial performance standards for six months in a row; or franchisor terminates any other agreement with the franchisee including a Multi-Unit Option Addendum due to fault of the franchisee.
(i) Franchisee's obligations on termination or non-renewal	28	Franchisee's obligations include: cease operation of the studio; take action or make modifications to the studio as directed by franchisor such as removing signs; stop using the System and the Intellectual property including the Marks; stop using the confidential information of the franchisor; stop participating in the franchise network; stop representing or holding itself out as a franchisee or being associated with the franchisor or the franchise network; deliver to franchisor all written materials relating to the studio; transfer to franchisor the right to use the telephone number of the studio; transfer to franchisor any lease for the studio premises; transfer to franchisor the equipment, fittings and fixtures of the studio business; and transfer or cancel the rights to use the studio name.
(j) Assignment of agreement by Franchisor	25.1	Franchisor may assign, and put a lien on, our rights and obligations, provided that, in the case of an assignment, franchisor obtains from the assignee a promise it will observe the terms of the franchise agreement, and in the case of a lien, franchisor obtains a promise from the person holding the lien that it will recognize and be bound by the franchisee's rights under the franchise agreement.
(k) "Transfer" by franchisee - defined	25.2	Transfer means to sell, pledge, mortgage, encumber, charge, assign, license or declare a trust, or otherwise dispose of the rights granted under the franchise agreement.
(l) Franchisor's approval of transfer by franchisee	25.2	Franchisor must approve in writing all transfers. <u>Franchisor's approval will not be unreasonably withheld provided that you satisfy the conditions for Franchisor's approval of transfer.</u>
(m) Conditions for Franchisor's approval of transfer	25.2	Franchisor will only approve a transfer if you request in writing our consent to transfer, you provide us with information about the proposed transfer including name of proposed transferee, financial statements of the proposed transferee, the proposed sale contract, and details of the proposed transferee's business history and experience; you pay the Franchisor's costs of giving consent; you pay the transfer fee, you refurbish and update the Studio and equipment to our then-current specifications and standards, you provide Franchisor and its

		affiliates and their principals with a signed general release of all claims; the proposed transferee is likely to meet the financial obligations under the franchise agreement, the proposed transferee is of good moral character and has sufficient business experience, aptitude and financial resources to own and operate the studio; the price and terms of payment of the proposed transfer are reasonable, the proposed transferee agrees in writing to enter into the then current franchisee agreement, the proposed transferee obtains guarantees from its principals, proposed franchisee agrees to attend training, franchisee has paid any amounts owing to the franchisor, franchisee had not breached the franchise agreement and has not failed to remedy any such breach.
(n) Franchisor's right of first refusal to acquire franchisee's business	25.3	Franchisor may match any offer.
(o) Our option to purchase your business	28.4	On expiration or termination of the franchise, Franchisor has the right (but not the duty) to take transfer of the lease, the equipment, the telephone number, and the business name.
(p) Franchisee's death or disability	9.2[c], 25.5	In the event of the death or disability of the franchisee (if it is an individual) or one of the key people, the franchisee may ask the franchisor to approve a replacement which satisfies the franchisor's selection criteria and is a suitable person to operate the studio. If franchisee does not locate, and franchisor does not approve, a suitable replacement within 60 days, then the franchisor may terminate the franchise agreement. Franchisor has the right to appoint a manager until a replacement or successor is approved, and Franchisor will keep the revenue from the operation of the studio during such period as compensation for the management services
(q) Non-competition covenants during the term of the franchise	24.1	No engaging in a similar business; no providing similar products or services; no enticing away any customers from franchisor or other franchisees, and no attempting to hire away an employee of franchisor or other franchisees.
(r) Non-competition covenants after the franchise is terminated or expires	24.2	For a two year period, no engaging in a similar business or providing similar products or services in your territory and within a ten mile radius of your former location or the location of any other franchisee; for a two year period, no enticing away any customers from the franchisor or other franchisees; and for a two year period, no attempts to hire away any employees of franchisor or other franchisees.
(s) Modification of the agreement	4.4, 5.4, and 33.8	The franchise agreement cannot be modified without written consent signed by both parties, but we can change the requirements in our Operations Manual and we can modify the Business System without franchisee's consent.
(t) Integration or merger clause	33.14	Only the terms of the franchise agreement are binding (subject to state law). Any other promises outside the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
(u) Dispute resolution by mediation	29.1	Except for certain claims, all disputes must be mediated under the JAMS mediation rules, at the JAMS office nearest to franchisee's studio, <u>subject to state law.</u>

(v) Choice of forum	29.2	Subject to applicable state law, except for certain claims, arbitration conducted by a single arbitrator under JAMS Rules at the JAMS office in New York, New York, or the JAMS office nearest the franchisor’s principal office in the United States. Arbitration demand must be made within one year after the claim arises.
(w) Choice of law	33.22	Subject to applicable state law, Delaware law applies.

Item 18
PUBLIC FIGURES

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

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

This Item 19 discloses the historical financial information regarding the ~~five (5)~~~~four (4)~~ United States franchised Studio Pilates International studios ~~-(a)-~~ that (a) were open and continuously operating during the twelve-month period beginning January 1, ~~2024~~~~2023~~ and ending December 31, ~~2024~~~~2023~~ (the “Measurement Period”), and ~~(b)-that~~ use at least 12 Pilates Reformer exercise machines as required by our current System requirements for new franchisees (referred to as “Representative Studios”). ~~Studio”). No outlets were excluded.~~

This information was provided to us by the owners of the Representative Studios.

Written substantiation of the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll sell as much.

AVERAGE MONTHLY GROSS REVENUE AND PERFORMANCE INDICATORS FOR THE REPRESENTATIVE STUDIOS STUDIO DURING THE MEASUREMENT PERIOD

The average Monthly Gross Revenue for the Representative ~~Studios~~~~Studio~~ during the Measurement Period was \$54,101. The average number of monthly visits for each location was

2,168, and the median number of monthly visits was 1,730. The average revenue earned per visit (not including tax) was \$24.96, and the median revenue earned per visit (not including tax) was \$20.63.47,680. The highest reported Monthly Gross Revenue was \$196,588,177,064. The median reported Monthly Gross Revenue was \$40,744,31,624. The lowest reported Monthly Gross Revenue was \$12,393 which was for the month of August 8,240.

Explanatory Notes to the Figures Above

1. Gross Revenue. The term “Gross Revenue” means the total revenue of a franchised Studio, including all membership and class packages revenue and retail sales, excluding taxes. Gross Revenue may not include certain income that the Studio may have generated from third-party vendors by virtue of promotions run by the Studio through those third-party vendors because these vendors were not able to provide us with the full reports detailing the income at issue as of the Issue Date of this Disclosure Document.

2. Average Gross Monthly Revenue; Median Gross Monthly Revenue. The “Average Gross Monthly Revenue” was calculated by taking the sum of the Gross Monthly Revenue generated by the Representative Studios over the Measurement Period, and dividing that figure by twelve and then dividing that figure by four. We determined the median by taking the two numbers in the “middle value” amongst all the monthly values reported by the Representative Studios after the figures have been sorted from smallest to largest, adding them together, and dividing by two. -

3. ~~Low Reported Monthly Gross Revenue. The Low Reported Monthly Gross Revenue in the Measurement Period was for the month of May.~~

3. One of the four Representative Studios, or 25% of the Representative Studios, had Average Monthly Gross Revenues over the Measurement Period which surpassed the Average Monthly Gross Revenue of all of the Representative Studios during the Measurement Period.

4. The average monthly visits per location was calculated by taking the total number of visits for all five locations during the Measurement Period and dividing it by twelve and then dividing that figure by five. The median number of monthly visits was taken by taking the “middle value” amongst the averages for each location separately.

5. The average revenue earned per visit was calculated by taking the average Gross Monthly Revenue and dividing it by the average number of monthly visits. The median revenue earned per visit was calculated by taking the median Gross Monthly Revenue and dividing it by the median number of monthly visits.

Other than the preceding financial performance representation, Studio Pilates International does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jade Winter at (011) (61) 412031550

or at franchising@studiopilates.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-Wide Outlet Summary
For Years ~~2022~~2021 to ~~2024~~2023

Column 1 Outlet Type			Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	3	4	1		
			2021	1	3	2
			2022	3	4	1
			2023	4	5	1
		<u>2024</u>	<u>5</u>	<u>12</u>	<u>7</u>	
Company-Owned or Affiliate Owned		2022 2021	0	0	0	0
		2023 2022	0	0	0	0
		2024 2023	0	0	0	0
Total Outlets		2022 2021	3 1	4 3	1 2	
		2023 2022	4 3	5 4	1 1	
		2024 2023	5 4	12 5	7 1	

There were no company-owned outlets anywhere in the United States from ~~2022~~2021 to ~~2024~~2023.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ~~2022~~2021 to ~~2024~~2023

State	Year	Number of Transfers
Total	2022 2021	0
	2023 2022	0
	2024 2023	0

Table No. 3
Status of Franchised Outlets
For Years ~~2022~~2021 to ~~2024~~2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2022 21	0	0	0	0	0	0	0
	2023 22	0	0	0	0	0	0	0
	2024 23	0	10	0	0	0	0	10
Connecticut	2021	0	0	0	0	0	0	0
Colorado	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Illinois	2022 21	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Kentucky	2022 21	1	10	0	0	0	0	1
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Maryland	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Michigan	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Minnesota	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024 22	0	1	0	0	0	0	1
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
New York		10	0	0	0	0	1	
North Carolina	2022 21							

	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<u>Tennessee</u>	2022	1	0	0	0	0	0	1
	2023	1	<u>0+</u>	0	0	0	0	<u>12</u>
	<u>2024</u> <u>21</u>	<u>10</u>	<u>0+</u>	0	0	0	0	1
	2022	<u>0+</u>	0	0	0	0	0	<u>0+</u>
	2023	<u>0+</u>	0	0	0	0	0	<u>0+</u>
<u>Texas</u>	<u>2024</u> <u>21</u>	0	<u>10</u>	0	0	0	0	<u>10</u>
<u>Virginia</u>	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Washington</u>	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>2022</u> <u>21</u>	<u>3+</u>	<u>12</u>	0	0	0	0	<u>43</u>
	<u>2022</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	4	1	0	0	0	0	5
	<u>2024</u>	<u>5</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>

Table 4
Status of Company-Owned and Affiliate Owned Outlets for Years 2022~~2021~~ to 2024~~2023~~

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Total	<u>2022</u> <u>2021</u>	0	0	0	0	0	0	0
	<u>2023</u> <u>2022</u>	0	0	0	0	0	0	0
	<u>2024</u> <u>2023</u>	0	0	0	0	0	0	0

Table No. 5
Projected Openings for the Next Fiscal Year

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchise Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned or Affiliate-Owned Outlet in the Next Fiscal Year
California	1	3	0
Colorado	0	2	0
Florida Connecticut	1	1	0
Idaho Florida	1	1	0
Illinois	0	1	0
Kentucky	0	1	0
Minnesota	2	2	0
Nevada	1	1	0
New Jersey	0	0	0
New York	2	4	0
North Carolina	0	0	0
South Carolina	0	1	0
Tennessee	0	0	0
Texas	1	1	0
Washington	0	1	0
Total	9	19	0

Attached as Exhibit F is a list of the current franchisees, with address and telephone numbers, as of December 31, ~~2024~~2023.

Attached as Exhibit G is a list of the franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the year ~~2024~~2023 or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

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

During the last three (3) fiscal years, there are no current or former franchisees that have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our system.

There are no trademark specific franchisee organizations associated with the Studio Pilates International system.

Item 21
FINANCIAL STATEMENTS

Exhibit D includes our audited financial statements, as of December 31, 2024, December 31, 2023, ~~December 31, 2022,~~ and December 31, 2022, 2021, and unaudited financial statements as of March 31, 2024.

Item 22
CONTRACTS

Exhibit A to this Franchise Disclosure Document includes the Franchise Agreement and all related agreements, as follows:

Franchise Agreement (Exhibit A):

Schedule 1	Franchisee and Guarantor Information
Schedule 2	Data Sheet and Location Addendum
Schedule 3	Fees and Royalties
Schedule 4	Initial Inventory
Annex A	Confidentiality and Non-Solicitation Agreement
Annex B	Form of Consent and Release
Annex C	Multi-Unit Option Addendum

Exhibit H – Compliance Questionnaire

Item 23

RECEIPTS

The last 2 pages of this Disclosure Document are 2 receipts. Please date and sign both copies. Keep one signed copy for your own records, and send one signed copy to us at jade@studiopilates.com.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

Additional Training Costs means the amount payable by the Franchisee to the Franchisor for Additional Training in accordance with clause 16.7.

Agreement means this agreement.

Approved Contractor means the person or company (which may be the Franchisor or a Related Entity) designated in writing by the Franchisor from time to time as the approved contractor to conduct the Build-Out of the Premises.

Approved Supplier means the person or company (which may be the Franchisor or a Related Entity) designated in writing by the Franchisor from time to time as the supplier of the Products, Services or Initial Stock.

Architectural Package Fee means the fee specified in Schedule 3.

Build-Out means the total work to be carried out in preparing the Premises to reflect the Image and enable the operation of the Franchised Business, which must be compliant with the Franchisor's specifications included in the Manual.

Build-Out Plans means the plans and specifications provided by the Franchisor as described in clause 13.3.

Business Day means any weekday other than a federal holiday.

Business Hours means the minimum hours of business that the Franchisee is required to conduct the Franchised Business being such hours specified in the Manual.

Business Name shall be the words "Studio Pilates International" followed by the name of the city, town, municipality, borough, or county, suburb in which the Premises is located, to be specified in Schedule 2.

Business Operations Training means the training in the operation and management of the Business System provided by the Franchisor as part of the Initial Training Program, in accordance with clause 16.1(c).

Business System means the distinct and comprehensive business system owned by, or under licence to, us for the operation of the Franchised Business in accordance with the Manual and utilising the Intellectual Property.

Business Training Costs means the cost of the Business Operations Training specified in Schedule 3 and as altered by the Franchisor from time to time during the Term and specified in the Franchisor's current Disclosure Document.

- (c) a corporation, authority or body that is constituted under statute or regulation for a public purpose; or
- (d) the holder of a statutory office for a public purpose.

Gross Sales means all income whatsoever received by the Franchisee from the sale of the Products and Services, other products or services, or from any other person, and notwithstanding that the sale may have been made in breach of this Agreement. The gross sales will be reduced by all refunds made to customers in good faith in accordance with the policies specified in the Manual, and will not include any sales tax or other tax which is separately stated and which the Franchisee may be required to and does collect from customers and pay to any federal, state or local taxing authority.

Guarantors means those individuals described in Schedule 1.

Half Yearly Financial Statements means financial statements for the six -month period ending on the preceding 30 June or 31 December whichever is the ~~latter~~^{later}, which must confirm with Generally Accepted Accounting Principles (GAAP).

Image means the distinctive image, brand, goodwill, reputation and recognisable common appearance of the Network created by the use of the Intellectual Property and compliance with the Business System.

Improvements means all:

- (o) improvements, enhancements or modifications to and adaptations of any item of Intellectual Property; and
- (p) discoveries, innovations or inventions in connection with carrying on the Franchised Business,

made from time to time by us, Franchisee or any member of the Network.

Initial Franchise Fee means the initial fee payable by the Franchisee to the Franchisor as specified in Schedule 3.

Initial Inventory means those items of inventory required for the Franchised Business on the Opening Date as listed in Schedule 4.

Initial Training Program means the initial training program described in clause 16.1, including the Pilates Platinum Training Course and the Business Operations Training.

Intellectual Property means:

- (q) the Marks, Patents and Designs;
- (r) Copyright in all material produced by or for, or licensed to, Franchisor that is capable of copyright protection;
- (s) the Confidential Information;
- (t) the Improvements;

Reformer Equipment means the reformer equipment to be purchased or leased by the Franchisee for use in the provision of the Services in accordance with clause 15 in the minimum number specified in Schedule 2.

Related Entity means a related or affiliate entity of the Franchisor.

Relevant Person means the Franchisee, Principals, Guarantor/s, Shareholders and any Related Entity of each of them.

Renewal Fee means the fee payable under clause 26.1(c) as specified in Schedule 3.

Restraint Area means all or any of the following:

- (a) Within the Territory;
- (b) Within a 10 -mile radius from the Premises; and
- (c) Within a 10 -mile radius from the premises of any other Franchisee;

Restraint Period means a continuous uninterrupted period commencing upon the sale, transfer, expiration or termination of this Agreement regardless of reason or cause, and continuing for two years thereafter.

Royalty means the royalty payable by the Franchisee to the Franchisor under clause 3, as specified in Schedule 3.

Sales Commencement Date means the date the Franchised Business makes its first sale of any products or services.

Security Interest shall have the meaning given to that term under the Uniform Commercial Code.

Services means the Pilates class services authorised to be provided by the Franchised Business to its customers including:

- (a) Orientation Workout; and
- (b) Studio Pilates International Platinum Workout System;

and any other services required or approved by us to be marketed and provided in connection with the Franchised Business from time to time.

Shadowing means completion of on the job training at a studio within the Network as selected by the Franchisor.

Stationery means letterhead, invoices, receipts, purchase orders, business cards, email signature block, paper, accounting documents and other documents or identifying materials used in connection with the Franchised Business.

Staff means employees, agents and contractors of the Franchisee.

Studio means the Pilates and fitness training studio to be operated in accordance with the terms of this Agreement

13.2 Refurbishment

If, during the Term, the Franchisor considers that the Build-Out of the Premises requires refurbishment or upgrading, then the Franchisee must refurbish or upgrade the Premises to the then current standards of the Franchisor's Build-Out.

13.3 Build-Out Plans

- (a) In consideration of the payment of the Architectural Package Fee, Franchisor shall prepare the design and construction plans for the Build-Out required for the Premises. The design and construction plans shall be provided to Franchisee in a form that is ready for submission to the local governmental agency by the Franchisee to obtain the required permits. This fee does not include fees payable to the city for the permits or the administration fees relating to the application process itself, or travel expenses by the Franchisor's team during site visits. Additional fees may apply for sites aborted after the letter of intent with the landlord has been executed.
- (b) Franchisee is responsible for reviewing the design and plans prior to submission to the local governmental agency, and for taking all actions necessary prior to and after submission, including any required modifications, in order to obtain approval of the plans and the required permits. Franchisor does not warrant or guarantee that the local government agency will accept the proposed design and plans provided by Franchisor without modification. Franchisee remains solely responsible for ensuring that the Build-Out plans are correct, error-free, practical, that they comply with the landlord's requirements, and that they comply with all federal, state or local rules, laws, regulations or codes.

(a) The Build-Out Plans will include standard mechanical, electrical, and plumbing engineering documentation, drawings and specifications, including quality levels and performance criteria of materials and systems, and other requirements for tenant improvement. The Build-Out Plans will incorporate the design requirements of governmental authorities having jurisdiction over the project, to obtain a building permit. The plans may be subject to exclusions that extend above and beyond the standard scope, including but not limited to, sound engineering, traffic reports and access consultation, extensive structural engineering, and underground plumbing or electrical outside of the tenancy boundaries. The Architectural Package Fee does not include construction administration services undertaken by the Architect, including but not limited to, site inspection, review & evaluation, 3D renderings, submittal and shop drawings, attendance and participation in owner-architect-contractor meetings, responses to requests for information, observation reports and work evaluations, making revisions in drawings, specifications or other documents when such revisions are inconsistent with approvals or instructions previously given, and "as built" drawings of any modifications made during construction.

13.4 Deadline to Commence Operations

Franchisee shall commence operation of the Studio in accordance with this Agreement by no later than the Opening Deadline. At the Franchisor's discretion, provided that the Franchisee demonstrates that it is actively working toward commencing operations, Franchisor shall not unreasonably withhold consent for extensions of the due date under Schedule 2. However, Franchisor may refuse a request for extension of time to commence operations for any reason

21.4 Litigation and Disputes

The Franchisee must immediately notify the Franchisor of any litigation, threatened litigation or other dispute involving, or which may affect, the Franchisee.

22. INSURANCE

- (a) The Franchisee will, at its own cost, take out and maintain adequate insurance policies to cover all facets of the Franchised Business, including but not limited to cover for the amounts and risks set out at Schedule 3.
- (b) All insurances policies must be taken out with an insurer approved by the Franchisor, with at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide, and will name the Franchisor as an additional insured, with an Additional Insured – Grantor of Franchise endorsement (Form No. CG20290413).
- (c) The Franchisee will at all times observe the conditions of the insurance policies.
- (d) The Franchisee must provide to the Franchisor on request such evidence as the Franchisor may require to prove the currency and the extent of insurance coverage.
- (e) The Franchisor may from time to time require the Franchisee to increase the minimum insurance limits or take out different or additional types of insurance. Within thirty (30) days of receipt of notice from Franchisor, the Franchisee agrees to revise its coverage, as specified in any notice from the Franchisor.
- (f) If the Franchisee fails or refuses to maintain the insurance or fails or refuses to provide sufficient evidence thereof, the Franchisor may, at its option, effect such insurance coverage on behalf of the Franchisee, and the Franchisee will pay on demand all reasonable costs of the Franchisor in effecting such insurance.

23. INDEMNITY

23.1 Franchisee to Indemnify Franchisor

The Franchisee indemnifies and will keep indemnified and hold harmless, the Franchisor from and against all liabilities, claims, demands, causes of action, losses, damages, costs and expenses of whatever nature (including legal fees) which any person may make against or seek to recover from the Franchisor or which the Franchisor may incur or suffer as a result of or in connection with:

- (a) the performance or non-performance by the Franchisee of its obligations under this Agreement;
- (b) the supply of the Products or Services by the Franchisee to any person;
- (c) the ownership, operation, conduct, or control of the Franchised Business;
- (d) any breach of the representations and warranties given in clause 21.1; and
- (e) any unauthorised act, default, dishonesty, negligent act or omission or fraudulent conduct of the Franchisee or of any Principal, Key People or Staff of the Franchisee.

have been this Agreement's remaining term. The parties consider this liquidated damages provision ~~toe~~ to be a reasonable, good faith pre-estimate of those damages.

- (c) This liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty fees, and it does not cover any other damages, including but not limited to other unpaid amounts owed, damage to Franchisor's reputation, and damages arising from a violation of any provision of this Agreement other than the Royalty section. This liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty fee section.

28.9 Execution of Documents

In the event of the termination of this Agreement for any reason, the Franchisor and the Franchisee must cooperate in the execution of all documents which are necessary to complete the termination in accordance with this Agreement, and the Franchisee hereby appoints the Franchisor as its irrevocable attorney, with the right to do any and all acts and things which are necessary to complete termination and to execute and deliver all documents which, in the opinion of the Franchisor, are necessary for accomplishing such purpose and authorises the Franchisor to change or de-register the Business Name.

29. RESOLVING DISPUTES

29.1 Informal Resolution

- (a) Except as otherwise provided in this Agreement, to pursue any claim arising from or relating to this Agreement, the Ancillary Agreements, or the parties' relationship, the party asserting the claim (Complainant) must follow the exclusive procedure under this clause 29.1.
- (b) The Complainant will notify the Respondent in writing:
 - (i) the nature of the dispute;
 - (ii) the outcome the Complainant wants; and
 - (iii) the action the Complainant thinks will settle the dispute.
- (c) The Parties will then try to agree about how to resolve the dispute.
- (d) If the Parties cannot resolve their dispute within 21 days from the date of service of the notice by the Complainant to the Respondent under this clause 29.1, either party may refer the matter to a mediator and if the Parties cannot agree upon the appointment of a mediator, either party may submit the matter to JAMS and obtain the appointment of a mediator under the JAMS mediation rules. The mediation shall take place at the JAMS office nearest to the location of the Premises, unless the parties agree upon a different location.
- (e) The mediator may decide the date and time for mediation and the Parties will attend the mediation and use reasonable endeavours to resolve the dispute.

regarding payment defaults may be made at any time within the applicable legal statute of limitations. Claims allegedly in defense against claim for payment are barred if not made within the one year period referred to above. Persons in privity with or claiming through, on behalf of or in the right of Franchisee include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns.

- (b) The right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall be conducted pursuant to the then-prevailing Commercial Arbitration Rules of JAMS. The arbitration shall be held, at Franchisor's election, either at the JAMS office in New York, New York, or at JAMS office nearest to our principal office in the United States, if any, at the time. Any dispute as to the arbitrability of any controversy, claim, cause of action or dispute shall also be determined by arbitration.
- (c) One arbitrator shall be selected from a panel of neutral arbitrators provided by JAMS and shall be chosen by the striking method. The fees and expenses of the proceeding may be awarded by the arbitrator to the prevailing party. If not so awarded, the parties shall bear their own fees, costs and expenses, and the charges of the arbitrator shall be split between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The arbitrator shall not have authority to hear or consider claims by more than one franchisee in any proceeding.
- (d) Nothing contained in this clause 29 will affect the right of a Party to take legal proceedings including the obtaining of injunctive relief where failure to obtain urgent relief would cause irreparable damage to the Party.
- (e) Franchisee and Relevant Persons waive any right to jury trial, waive the right to punitive or exemplary damages; and waive the right to bring or join in a legal proceeding with other similarly situated claimants on a group, multiple plaintiff, collective or class basis.
- (f) Franchisee and any Relevant Person, and any person in privity with or claiming through such person, must bring any claim arising from this Agreement or the Ancillary Agreement or the relationship of the parties within one year from the date the claim accrued or the date such person or entity reasonably should have become aware of the claim, whichever is earlier.
- (g) The obligations with respect to dispute resolution outlined in this clause 29 shall survive termination or expiration of this Agreement.

29.3 Attorneys' Fees and Costs—If legal action or arbitration is necessary to enforce the terms and conditions of this Agreement, or to defend against claims by the Franchisee, Franchisor shall be entitled to recover reasonable compensation for preparation, investigation, court costs, arbitration costs (if applicable) and reasonable attorneys' fees, as fixed by an arbitrator or court of competent jurisdiction. In addition, Franchisor shall be entitled to a further award for all expenses, costs and reasonable attorneys' fees incurred in connection with the enforcement of any arbitration award or judgment entered, any post-arbitration award or post-judgment proceedings, or any appeals.

33.19 Authority to Complete

- (a) The Franchisee irrevocably authorises the Franchisor or its legal representative to insert:
 - (i) the Term Commencement Date in Schedule 1 once that date is determined pursuant to the definition of Term Commencement Date at clause 1.1;
 - (ii) The *Business Name* at Item 2 of Schedule 1 once that name is determined pursuant to the definition of Business Name at clause 1.1.

33.20 Execution under Power of Attorney or Agency

Each person who executes this document as:

- (a) attorney for a party, or
- (b) agent of a party,

warrants that he or she has authority to do so, and will produce written evidence of that authority to any party who requests it.

33.21 Time of the Essence

Time is of the essence with respect to all provisions of this document that specify a time for performance.

33.22 Governing Law

This Agreement, and the rights of the parties arising from this Agreement or the relationship of the parties, shall be governed and decided according to Delaware law, without reference to any choice of law principles.

33.23 Relationship of the Parties

The Franchisee and Franchisor acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, Franchisee shall ~~hold~~hold itself out to the public as an independent contractor operating the Franchised Business pursuant to the rights granted by the Franchisor. In furtherance of this provision, Franchisee shall exhibit a notice in a conspicuous place on the Premises that the studio is independently owned and operated, and will reproduce such notice on all of its correspondence, business cards, forms, and advertisements as required by Franchisor, in such form and content as Franchisor may require. Franchisee is not authorized to make any contract, agreement, warranty or representation on behalf of the Franchisor or its affiliates or their principals, or incur any debt or other obligation in the name of the Franchisor or its affiliates or their principals, and any unpermitted attempt to do any of the foregoing so shall be considered null and void.

- (iv) the fact that the Franchisor or any other person exercises or refrains from exercising any right, power or remedy under this Agreement or otherwise, or fails to recover, by exercise of any such right, power or remedy, any moneys due or payable from the Franchisee to the Franchisor;
 - (v) failure by the Franchisor to give notice to the Guarantor of any breach by the Franchisee of the terms of this Agreement;
 - (vi) the making, variation, replacement, discharge or transfer of any agreement or transaction between the Franchisee and the Franchisor, including this Agreement.
- (e) The Guarantors agree that they will not themselves do anything which, if done by the Franchisee, would be a breach of this Agreement.
- (f) The Guarantor must not, without the written consent of the Franchisor:
- (i) take any steps to enforce a right or claim against the Franchisee in respect of any money paid by the Guarantor under this Agreement;
 - (ii) exercise any rights as surety or rights of indemnity against the Franchisee in competition with the Franchisor;
 - (iii) reduce its liability under this deed by claiming that it or the Franchisee has a right of set-off or counterclaim against the Franchisor; or
 - (iv) claim an amount in the liquidation, administration, bankruptcy or insolvency of the Franchisee.
- (g) The Guarantor indemnifies the Franchisor against any loss it incurs as a result of having to refund any monies to the Franchisee as preferential payments.
- (h) If any of the Franchisee's obligations are unenforceable against the Franchisee, then this clause is to operate as a separate indemnity and:
- (i) the Guarantors indemnify the Franchisor against all loss resulting from the Franchisor's inability to enforce performance of those obligations, and
 - ~~(ii)~~ the Guarantors must pay the Franchisor the amount of the loss resulting from the unenforceability.

Schedule 1

FRANCHISEE AND GUARANTOR INFORMATION

1. IF FRANCHISEE IS AN INDIVIDUAL:

Full Name: _____

Address: _____

Telephone: _____

Email: _____

2. IF FRANCHISEE IS A BUSINESS ENTITY:

Business Entity Name: _____

Type of Business Entity (e.g. corporation, LLC, etc.): _____

State Of Formation: _____

Owners (State Full Name, Address, and Percentage Ownership for each Owner):

Officers:

Key People (Primary Contact Person) (List Name, Address, Telephone Numbers, and Email):

Guarantors (List Name, Address, Telephone Number, and Email for each Guarantor):

~~Schedule 2~~ Schedule 1

DATA SHEET

1. LOCATION AND TERRITORY:

1.1 If Location is determined at the time of signing,

(a) the Location shall be: _____

(b) the Territory shall be the area of: _____

as shown on the attached Territory map.

1.2 If Location is **not** determined at the time of signing,

(a) the Search Area shall be the area of: _____

as shown in the attached Search Area map, and

(b) The parties shall complete and sign the attached Location Addendum at the time the Location is determined, which shall designate the Location and the Territory, and the parties shall execute and deliver a Consent and Release form.

2. NAME UNDER WHICH STUDIO IS TO OPERATE:

"Studio Pilates International _____"

3. OPENING DEADLINE:

4. TERM COMMENCEMENT DATE (earlier of the Opening Deadline, Opening Date, or the commencement date of the Lease for the Premises) (to be inserted by Franchisor)

5. TERM (years from the Term Commencement Date):

6. FURTHER TERM:

~~Schedule 3~~ Schedule 2

FEES AND ROYALTIES

(Handwrite and Initial Any Changes)

1. INITIAL FRANCHISE FEE

(Clause 3.1)

Initial Franchise Fee: \$5045,000.00

Payable as follows:

\$2,000 refundable holding deposit payable prior to signing this Agreement. (Such deposit shall not be paid until after more than 14 days after Franchisee received the Disclosure Document);

(a) \$43,000 balance payable upon execution of this Agreement.

2. ROYALTY

(Clause 3.1)

Royalty:

8% of Gross Sales, commencing on the Sales Commencement Date

Percentage royalty calculated weekly on each Monday for the previous week and payable by close of business on each Wednesday.

3. MARKETING FUND

(Clause 3.1)

Marketing Fund Fee: 2% of Gross Sales.

Payable monthly within seven (7) days of receiving an invoice from the Franchisor.

4. FRANCHISEE MARKETING

(Clause 18.1, 18.2)

Marketing Launch Package Fee: \$1240,000.

This fee is payable to Franchisor upon signing the letter of intent with the landlord

Territory Marketing Amount: 4% of Gross Sales earned in the previous month.

5. OPENING PACKAGE FEE \$25,500

(Clause 3.1)

Fee covers the Initial Instructor Training for up to 8 people, the Initial Business Operations Training for the initial sales, administrative, and management staff, the design and development of the studio page on the brand's website and Marketing and Business Operations support.

Payable as follows: Lump sum upon signing the letter of intent with the landlord.

6. ARCHITECTURAL PACKAGE FEE \$~~23,500~~21,000

(Clause 3.1)

7. INITIAL INVENTORY (Specified in Schedule 4)

Initial Inventory Price: _____

8. TRANSFER FEE

(Clauses 3.1, 25)

Transfer Fee: Fifty percent (50%) of our then current initial Franchise Fee.

Payable on the date of transfer of the Franchise in accordance with clause 27.

9. RENEWAL FEE

(Clauses 3, 26)

Renewal Fee: Twenty-five percent (25%) of our then current Initial Franchise Fee

Payable on renewal of this Agreement in accordance with clause 26.

10. INTEREST

(Clause 3.2)

Rate: 12% per annum from the date the relevant payment was due until it is paid.

11. TECHNOLOGY SUBSCRIPTION

(Clauses 3, 15.2)

Technology Subscription: \$1,~~600~~500 - \$1,800 per month

Payable monthly within seven (7) days of receiving an invoice from the Franchisor, in the amount as amended from time to time in accordance with clause 16.3

12. INSURANCE

(Clause 22)

The following are the current insurance requirements, including the types of coverage and coverage amounts. Your policies must name the Franchisor as an additional insured, with an Additional Insured – Grantor of Franchise endorsement (Form No. CG20290413). These requirements may be modified from time to time by Franchisor, to require additional coverage:

A.H. Workers compensation insurance, and other insurance which may be required by any Governmental Authority relating to employees, including but not limited to, if applicable, unemployment insurance, disability insurance, and paid leave insurance, and which does not exclude owner-operators.

B.I. Commercial General Liability Insurance, including the following coverage and amounts:

<u>Required Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate	\$ <u>25</u> ,000,000
Products/Completed Operations Aggregate	\$ <u>25</u> ,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Professional Liability	\$1,000,000
Damage to Rented Premises (per occurrence)	\$1,000,000

G.J. “All Risk” or special form property coverage of no less than current replacement cost of the studio’s equipment, fixtures and leaseholder improvements sufficient t in the amount to restore the Studio to full operation.

D.K. Business interruption insurance with coverage for at least 12 months for actual losses.

E.L. Auto Liability (hired and Non-owned autos) with a \$1,000,000 combined single limit each accident for bodily injury and property damage, for any vehicle used in the Franchised Business. Auto liability insurance is only required for an automobile used in the operation of the Franchised Business. (No automobile is currently required for operation of the Franchised Business).

F.M. Employment practices liability with a limit of no less than \$1,000,000 per claim and \$1,000,000 aggregate per claim and \$1,000 aggregate per location.

N. Cyber incident insurance with a limit of no less than \$500,000 per claim.

O. Abuse, molestation, and harassment coverage with a limit of no less than \$1,000,000 per claim.

13. SPECIAL CONDITIONS (INSERT IF APPLICABLE)

SCHEDULE 4

INITIAL INVENTORY

Annex A

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

ANNEX B

Form of Consent and Release

incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

4. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

5. Delaware law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

6. This release does not apply to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

6.7. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein.

7.8. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

RELEASOR:

(Signature)

(Name)

STUDIO PILATES INTERNATIONAL USA CORP.

By: _____

Name: _____

Title: _____

ANNEX C

Multi-Unit Option Addendum

Multi-Unit Option Addendum

This Multi-Unit Option Addendum is made and entered into by and between Studio Pilates International USA Corp., a Delaware corporation, (“we”, “us”, “our” or “Franchisor”) and the Franchisee (“Franchisee”, or “you”), pursuant to a Franchise Agreement dated _____, 20__ (“Initial Location Franchise Agreement”).

Whereas, pursuant to the First Location Franchise Agreement, the Franchisee has acquired the right to operate a Franchised Business and the right to use in the operation of the Franchised Business the Business System, as it may be changed, improved and further developed from time to time in the Franchisor’s sole discretion, at the Initial Location Premises;

Whereas, the Franchisee has requested that it be granted an exclusive option (“First Option”) to enter into a further Franchise Agreement (“First Option Location Franchise Agreement”) for an additional Franchised Business to be operated at a suitable premises approved by Franchisor (“First Option Location”) within the Territory of _____ [within the Territory of _____ [insert territory name and description, and attach map) (“First Option Territory”), provided that Franchisee has obtained Franchisor’s consent for the location, entered into the lease for the location, and entered into the First Option Location Franchise Agreement for the First Option Location, within”) for a period of 12 months (“First Option Term”), commencing on the Term Commencement Date of the Initial Location Franchise Agreement.

Now, therefore, the parties agree as follows:

1. The Franchisor grants the Franchisee the First Option upon the Franchisor’s execution of the Initial Location this Franchise Agreement and this Multi-Unit Option Addendum.
2. As consideration for the grant of the First Option, the Franchisee agrees to pay the Franchisor the amount of \$35,000 (“First Option Fee”), which shall be payable immediately upon the Franchisee’s execution of this Multi-Unit Option Addendum, and fully earned upon execution of this Multi-Unit Option Addendum, and is non-refundable.
3. The First Option Location Franchise Agreement to be offered to the Franchisee under the First Option is subject to the Franchisee having first located and secured a suitable Premises within the ~~new~~ First Option Territory prior to entering into the First Option Location Franchise Agreement.
4. The Franchisee may exercise the First Option at any time during the First Option Term after the first 30 days from the Opening Date of the Initial Location Franchised Business.
5. Provided that the Franchisee has obtained the Franchisor’s consent to the First Option Location a suitable premises at the time of the Franchisee’s exercise of the First Option, the Franchisor must offer to Franchisee a further First Option Location Franchise Agreement in the First Option Territory at the First Option Location, under the terms of Franchisor’s then-current form of Franchise Agreement, which may contain terms that are materially different than the Initial Location Franchise Agreement.
6. If the Franchisee has not located and secured a suitable premises for the First Option Location, and entered into the First Option Location Franchise Agreement for the premises, by the end of the First Option Term, the First Option will automatically lapse.

7. Notwithstanding the foregoing, the Franchisee shall be entitled to extend the First Option on a monthly basis upon payment of ~~a monthly~~ an extension fee of \$2,500 ("**Monthly** Extension Fee"), for a maximum period of 12 months. The Franchisee must pay the **Monthly** Extension Fee monthly to the Franchisor at the end of each month, with the first payment being made prior to the expiration of the initial First Option term, and each subsequent payment being made prior to the end of the extended term. If the Franchisee fails to pay the **Monthly** Extension Fee on or before the end of each month, the First Option will automatically lapse.

8. Where the Franchisee exercises the First Option and enters into the First Option Location Franchise Agreement for the First Option Location Territory, the First Option Fee shall be treated as the full initial franchise fee under that First Option Location Franchise Agreement and no further initial franchise fee shall be payable under that First Option Location Franchise Agreement.

9. If the First Option lapses, the Franchisee acknowledges that the First Option Fee and any additional Second Option Fee (if applicable) will not be refunded and the Franchisor may immediately commence offering the sale of Franchisor's studios in the Option Territories for sale to third parties.

10. Termination of the Initial Location Franchise Agreement permits Franchisor to terminate this Multi-Unit Option Addendum.

~~10-11.~~ Time is of the essence.

~~11-12.~~ This Addendum and the rights granted herein are not assignable without Franchisor's advance written consent, which may be withheld for any reason, and may be withheld even if Franchisor has consented to the Franchisee's assignment of the Initial Location Franchise Agreement. Any attempted unpermitted assignment shall be considered null and void.

~~12-13.~~ This Addendum is incorporated in and made a part of the Initial Location Franchise Agreement by this reference. To the extent of any inconsistency between the Initial Location Franchise Agreement and this Multi-Unit Option Addendum, the terms of this Multi-Unit Option Addendum shall control.

Second Option to Open a Second Additional Location

Check and complete if applicable _____ **Yes** _____ **No**

Whereas, the Franchisee has requested that it be granted an exclusive option ("Second Option") to enter into a further Franchise Agreement ("**Second Option Location Franchise Agreement**") for a Franchised Business to be operated at a suitable premises approved by Franchisor ("**Second Option Location**") within the Territory of _____ [insert territory name and description, and attach map] ("**Second Option Territory**"), provided that Franchisee has obtained Franchisor's consent for the location, entered into the lease for the location, and entered into the Second Option Location Franchise Agreement for the Second Option Location, all within) ~~for~~ a period of 12 months ("Second Option Term"), commencing on the end of the First Option Term.

~~13-14.~~ The Franchisor grants the Franchisee the Second Option upon the Franchisor's execution of the Initial Location ~~this~~ Franchise Agreement and this Multi-Unit Option Addendum.

14.15. As consideration for the grant of the Second Option, the Franchisee agrees to pay the Franchisor the amount of \$25,000 (“Second Option Fee”), which shall be payable immediately upon the Franchisee’s execution of this Multi-Unit Option Addendum, and fully earned upon execution of this Multi-Unit Option Addendum, and is non-refundable.

15.16. The Second Option Location Franchise Agreement to be offered to the Franchisee under the Second Option is subject to the Franchisee having first located and secured a suitable Premises within the ~~new~~ Second Option Territory prior to entering into the Second Option Location Franchise Agreement.

16.17. The Franchisee may exercise the Second Option at any time during the Second Option Term.

17.18. Provided that the Franchisee has obtained the Franchisor’s consent to the Second Option Location ~~a suitable premises~~ at the time of the Franchisee’s exercise of the Second Option, the Franchisor must offer to Franchisee a further Second Option Location Franchise Agreement in the Second Option Territory at the Section Option Location, under the terms of Franchisor’s then-current form of Franchise Agreement, which may contain terms that are materially different than the Initial Location Franchise Agreement or the First Option Location Franchise Agreement.

18.19. If the Franchisee has not located and secured a suitable premises, and entered into the First Option Location Franchise Agreement for the premises, by the end of the ~~First~~ Second Option Term, the ~~First~~ Second Option will automatically lapse.

19.20. Notwithstanding the foregoing, the Franchisee shall be entitled to extend the ~~First~~ Second Option on a monthly basis upon payment of a monthly ~~a~~ extension fee of \$2,500 (“~~Monthly~~ Second Option Extension Fee”), for a maximum period of 12 months. The Franchisee must pay the ~~Monthly~~ Second Option Extension Fee monthly to the Franchisor at the end of each month, with the first payment being made prior to the expiration of the initial Second Option Term, and each subsequent payment being made prior to the end of the extended term. If the Franchisee fails to pay the ~~Second Option~~ Extension Fee on or before the end of each month, the Second Option will automatically lapse.

20.21. Where the Franchisee exercises the Second Option and enters into the Second Option Location Franchise Agreement for the Second Option Location Territory, the ~~First~~ Second Option Fee shall be treated as the full initial franchise fee under that Second Option Location Franchise Agreement and no further initial franchise fee shall be payable under that Second Option Location Franchise Agreement.

21.22. If the Second Option lapses, the Franchisee acknowledges that the Second Option Fee and the First Option Fee will not be refunded and the Franchisor may immediately commence offering the sale of Franchisor’s studios in the Option Territories for sale to third parties.

23. Termination of the Initial Location Franchise Agreement or the First Option Location Franchise Agreement permits Franchisor to terminate this Multi-Unit Option Addendum.

22.24. Time is of the essence.

~~23. Termination of the Franchise Agreement permits Franchisor to terminate~~ this Multi-Unit Option ~~Addendum.~~

~~24.25.~~ This Addendum and the rights granted herein are not assignable without Franchisor's advance written consent, which may be withheld for any reason, and may be withheld even if Franchisor has consented to the Franchisee's assignment of the Initial Location Franchise Agreement and/or the First Option Location Franchise Agreement. Any attempted unpermitted assignment shall be considered null and void.

~~25.26.~~ This Multi-Unit Option Addendum is incorporated in and made a part of the Initial Location Franchise Agreement by this reference. To the extent of any inconsistency between the Initial Location Franchise Agreement and this Multi-Unit Option Addendum, the terms of this Multi-Unit Option Addendum shall control.

DATED THIS _____ day of _____, 20____.

**EXECUTED by STUDIO PILATES
INTERNATIONAL USA CORP.**

Date signed

Jade Michael Winter, as President

EXECUTED by FRANCHISEE:

If an individual:

Signature

Print Name

Date

Signed: _____

If a business entity:

Signature

Print Name

Business Entity Name: _____

Position: _____

Date signed: _____

SIGNED by [Guarantor],

Date: _____

Signature of Guarantor

Address:

Print Name: _____

SIGNED by [Guarantor],

Date: _____

Signature of Guarantor

Address:

Print Name:

<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><u>RHODE ISLAND</u></p> <p>Securities Division Department of Business Regulation, Bldg 69, First Floor John O. Parestaurant Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582</p>
<p><u>SOUTH CAROLINA</u></p> <p>National Data Access Corp. 2 Office Park Court, Suite 103 Columbia, South Carolina 29223 (803) 699-6130</p>	<p><u>SOUTH DAKOTA</u></p> <p>Division of Securities Department of Labor & Regulation 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823</p>
<p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>(for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>	<p><u>WASHINGTON</u> (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 412009033 Olympia, Washington 98504-120098507-9033 (360) 902-8760</p> <p>(for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501</p>
<p><u>WISCONSIN</u> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703</p>	

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Studio Pilates International USA Corp

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023



Studio Pilates International USA Corp
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December 31, 2024 and 2023

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Financial Statements

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Independent Auditor's Report

Board of Directors and Shareholder
Studio Pilates International USA Corp
New York, New York

Opinion

We have audited the accompanying financial statements of Studio Pilates International USA Corp (a Delaware corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, shareholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Studio Pilates International USA Corp, as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Studio Pilates International USA Corp and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Studio Pilates International USA Corp's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Studio Pilates International USA Corp's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Studio Pilates International USA Corp's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Forvis Mazars, LLP

**Birmingham, Alabama
March 11, 2025**

Studio Pilates International USA Corp
Balance Sheets
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 550,775	\$ 277,580
Accounts receivable	230,901	82,473
Due from affiliates, net	8,279	-
Total Current Assets	<u>789,955</u>	<u>360,053</u>
Long-Term Assets		
Deferred tax assets	179,801	49,402
Deferred sales commissions	68,713	25,613
Total Long-term Assets	<u>248,514</u>	<u>75,015</u>
Total Assets	<u>\$ 1,038,469</u>	<u>\$ 435,068</u>
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current Liabilities		
Accounts payable	\$ 34,771	\$ 8,795
Due to affiliates, net	-	26,911
Due to parent	2,969	101,253
Other current liabilities	96,666	55,503
Total Current Liabilities	<u>134,406</u>	<u>192,462</u>
Long-Term Liabilities		
Deferred revenue	917,478	281,679
Total Long-term Liabilities	<u>917,478</u>	<u>281,679</u>
Shareholder's Deficit		
Common stock (10,000 shares authorized, issued and outstanding at par value \$0.0001)	1	1
Accumulated deficit	(13,416)	(39,074)
Total Shareholder's Deficit	<u>(13,415)</u>	<u>(39,073)</u>
Total Liabilities and Shareholder's Deficit	<u>\$ 1,038,469</u>	<u>\$ 435,068</u>

Studio Pilates International USA Corp
Statements of Operations
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue		
Equipment sales	\$ 925,908	\$ 149,600
Franchise fee	53,056	33,529
Pre-opening services fees	271,799	23,125
Sales-based royalties	418,722	159,551
Other franchise fees	<u>242,276</u>	<u>83,888</u>
Total Revenue	1,911,761	449,693
Cost of Goods Sold	<u>(839,910)</u>	<u>(71,254)</u>
Gross Profit	<u>1,071,851</u>	<u>378,439</u>
Operating Expenses		
Selling, general, and administrative	823,810	291,727
Salaries and wages	<u>207,825</u>	<u>73,719</u>
Total Operating Expenses	<u>1,031,635</u>	<u>365,446</u>
Operating Income	40,216	12,993
Other Income	<u>3,175</u>	<u>1,603</u>
Income Before Provision for Income Taxes	43,391	14,596
Provision for income taxes	<u>(17,733)</u>	<u>(9,077)</u>
Net Income	<u><u>\$ 25,658</u></u>	<u><u>\$ 5,519</u></u>

Studio Pilates International USA Corp
Statements of Changes in Shareholder's Deficit
Years Ended December 31, 2024 and 2023

	Common Stock		Accumulated Deficit	Total
	Issued and Outstanding Shares	Amount		
Balance, January 1, 2023	10,000	\$ 1	\$ (44,593)	\$ (44,592)
Net income	-	-	5,519	5,519
Balance, December 31, 2023	10,000	1	(39,074)	(39,073)
Net income	-	-	25,658	25,658
Balance, December 31, 2024	<u>10,000</u>	<u>\$ 1</u>	<u>\$ (13,416)</u>	<u>\$ (13,415)</u>

Studio Pilates International USA Corp
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net income	\$ 25,658	\$ 5,519
Adjustments to reconcile net income to net cash provided by operating activities		
Changes in assets and liabilities		
Deferred tax assets	(130,399)	(10,983)
Accounts receivable	(148,428)	(52,934)
Deferred sales commissions	(43,100)	(21,113)
Accounts payable	25,976	(4,951)
Due to affiliates, net	(35,190)	5,958
Due to parent	(98,284)	22,345
Other current liabilities	41,163	42,729
Deferred revenue	635,799	169,275
	<u>273,195</u>	<u>155,845</u>
Net Cash Provided by Operating Activities		
Cash and Cash Equivalents, Beginning of Year	<u>277,580</u>	<u>121,735</u>
Cash and Cash Equivalents, End of Year	<u>\$ 550,775</u>	<u>\$ 277,580</u>

Note 1. Nature of Operations

Studio Pilates International USA Corp (the “Company”) was organized on August 30, 2018, to sell Studio Pilates franchises. The Company serves to provide customers with high intensity aerobic exercise classes to improve health and overall wellbeing.

As of December 31, 2024 and 2023, there were 12 and 5 franchise outlets in operation, respectively. These franchise outlets are located throughout the United States of America. They are restricted to providing services in their respective territory.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) on the accrual basis of accounting. The accompanying financial statements include the accounts of the Company.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on net income.

Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, and disclosures. Accordingly, actual amounts could differ from these estimates.

Cash and Cash Equivalents

The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash depository accounts, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). This risk is mitigated by maintaining all deposits in high quality financial institutions. The Company has not experienced any losses in such accounts.

Business and Credit Concentration

The Company had four franchisees that accounted for approximately 87% of accounts receivable at December 31, 2024. The Company had two franchisees that accounted for approximately 20% of revenue for the year ended December 31, 2024.

The Company had one franchisee that accounted for approximately 84% of accounts receivable at December 31, 2023. The Company had two franchisees that accounted for approximately 66% of revenue for the year ended December 31, 2023.

The Company’s success is dependent on the ability of its franchisees to generate revenue and pay royalties. The inability of any single franchisee to generate revenue and pay royalties may have a material impact on the Company’s financial statements.

Studio Pilates International USA Corp
Notes to Financial Statements
December 31, 2024 and 2023

Accounts Receivable

The Company records accounts receivable at their estimated net realizable value. Price concessions are recorded based on management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. There was no allowance for credit losses at December 31, 2024 and 2023.

Revenue Recognition

The Company derives its revenue from sales of franchises and royalties from franchisees. Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. The Company applies the five-step model under FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

The Company has elected the practical expedient available to private companies under ASU 2021-02, *Franchisors - Revenue from contracts with customers*, to account for pre-opening activities as one distinct performance obligation for new franchise sales. The initial franchise launch fees are payable based on contract terms prior to the franchise opening. The transaction price is recognized as revenue on a straight-line basis based on the timing of when services are satisfied for pre-opening activities. Initial franchise fees are recognized as revenue on a straight-line basis over the initial term of each respective franchisee's franchise agreement. Franchise renewals and existing franchise sales are recognized as revenue on a straight-line basis based over the term of each respective franchisee's franchise agreement.

The Company received a significant portion of its revenue from sales-based royalties, admin fees, advertising fees, and other fees charged to franchisees. These fees are determined as a percentage of sales and are recognized in the period earned by the Company. Equipment sales and training fees are based on agreed contract price with franchisees. These fees are recognized as revenue when control of the promised goods or services are transferred to franchisees.

The Company capitalizes sales commission expenses paid to contracted sales personnel that are incremental to obtaining franchise contracts. Those costs are deferred and then amortized over the expected period of the benefit, which is the initial term of the franchise agreement (typically 5-10 years). Amortization expenses are included in selling, general, and administrative expenses in the accompanying statements of operations.

Selling, General, and Administrative

General and administrative expenses consist of costs associated with administrative and support functions related to the Company's existing business as well as growth and development activities. These costs primarily consist of advertising, franchise expenses, information technology, and professional expenses.

Advertising Costs

The Company expenses the costs of advertising as they are incurred. During the years ended December 31, 2024 and 2023, the Company incurred advertising costs of \$301,516 and \$88,180, respectively. Advertising costs are included in the selling, general, and administrative expenses in the statements of operations.

Income Taxes

The Company is a Corporation and operated as C Corporation from inception. The Company is taxed under the provisions of C Corporation, whereby the Company pays federal and state taxes on its taxable income. Income taxes have been recognized in the financial statements. Deferred income taxes are provided for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. Deferred taxes as of December 31, 2024 and 2023 are reflected on the accompanying balance sheets.

Studio Pilates International USA Corp
Notes to Financial Statements
December 31, 2024 and 2023

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain tax position that is more likely than not would not be sustained upon examination by the Internal Revenue Service.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2024 and 2023, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Note 3. Related Party Transactions

At December 31, 2024 and 2023, the Company had \$2,969 and \$1,388 of accounts payable due to Studio Pilates Australia Pty Ltd, respectively.

At December 31, 2023, the Company received \$99,865 in advances from Studio Pilates Australia Pty Ltd. These advances are non-interest bearing and unsecured.

At December 31, 2024 and 2023, the Company advanced \$7,427 and \$852 to Studio Pilates International Canada Ltd and an officer of the Company, respectively. These advances are non-interest bearing and unsecured. Management expects for the advances to be received during the year ended December 31, 2025, thus, these receivable balances have been included in current assets in the balance sheet as of December 31, 2024. The Company also had \$35,190 in accounts payable due to Studio Pilates Industries Pty Ltd at December 31, 2023. These amounts are presented in the due to affiliates, net on the accompanying balance sheet as of December 31, 2023.

The Company purchases all equipment sold to franchisees from Studio Pilates Industries Pty Ltd. The Company purchased equipment in the amount of \$400,140 and \$71,254 and during the years ended December 31, 2024 and 2023, respectively, which is presented in cost of goods sold on the accompanying statements of operations.

Studio Pilates International USA Corp
Notes to Financial Statements
December 31, 2024 and 2023

Note 4. Income Taxes

The provision for income taxes consists of the following for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Current provision (benefit)		
Federal	\$ 106,003	\$ 17,340
State	<u>42,129</u>	<u>2,720</u>
	<u>148,132</u>	<u>20,060</u>
Deferred tax (benefit) provision		
Federal	(102,167)	(11,593)
State	<u>(28,232)</u>	<u>610</u>
	<u>(130,399)</u>	<u>(10,983)</u>
Income tax expense	<u>\$ 17,733</u>	<u>\$ 9,077</u>

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Change in balance, accounts payable	\$ 16,924	\$ 11,059
Deferred revenue	239,595	60,376
Other	<u>1,525</u>	<u>3,300</u>
	<u>258,044</u>	<u>74,735</u>
Deferred tax liabilities		
Change in balance, deferred sales commissions	(17,944)	(5,164)
Change in balance, accounts receivable	<u>(60,299)</u>	<u>(20,169)</u>
	<u>(78,243)</u>	<u>(25,333)</u>
Net deferred tax asset	<u>\$ 179,801</u>	<u>\$ 49,402</u>

The difference between the Company's effective tax rate and the statutory federal income tax rate during the years ended December 31, 2024 and 2023 is primarily due to state income taxes and non-deductible expenses.

Note 5. Subsequent Events

Management has evaluated all subsequent events and transactions for potential recognition or disclosure through March 11, 2025, the date the financial statements were available to be issued and concluded that there were no other events or transactions which required recognition or disclosure in these financial statements.

**AMENDMENT
TO FRANCHISE AGREEMENT
AND ANY MULTI-UNIT OPTION ADDENDUM
(ILLINOIS)**

THIS AMENDMENT (this "Amendment") is made as of the last date set forth on the signature page to this Amendment, by and between Franchisee and STUDIO PILATES INTERNATIONAL USA CORP., a Delaware Corporation, ("Franchisor" or "we"). All capitalized terms not defined herein shall have the meaning set forth in the Franchise Agreement, as defined below.

WHEREAS, Franchisor and Franchisee entered into that certain Franchise Agreement dated as of [_____, 20__] (the "Franchise Agreement");

WHEREAS, Franchisor and Franchisee entered into that certain Multi-Unit Option Addendum dated as of [_____, 20__] ("Multi-Unit Option Addendum"); and

WHEREAS, Franchisor and Franchisee hereby wish to amend the Franchise Agreement and any Multi-Unit Option Addendum in accordance with the terms and conditions contained in this Amendment.

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereby agree to amend the Franchise Agreement, and any Multi-Unit Option Addendum, as follows:

1. Section 33.22 of the Franchise Agreement is amended to read as follow:

"33.22 Illinois law governs the Franchise Agreement and any addendum to the Franchise Agreement."

2. The Multi-Unit Option Addendum is amended to add the following new section ~~2726~~:

~~2726~~. Illinois law governs this Multi-Unit Option Addendum."

3. 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.

4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. 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.

6. In Illinois, the Physical Fitness Services Act, 815 ILCS 645/14(a) (West 2016) sets forth that "a physical fitness center shall have available and on its premises, during staffed business hours, at least

one person who holds a valid certificate indicating that he [she] has successfully completed a course of ~~training in basic cardiopulmonary resuscitation which complies with generally recognized standards for basic cardiopulmonary resuscitation."~~

training in basic cardiopulmonary resuscitation which complies with generally recognized standards for basic cardiopulmonary resuscitation."

IN WITNESS WHEREOF, the parties have executed this Amendment to Franchise Agreement on the dates set forth below.

**STUDIO PILATES INTERNATIONAL
USA CORP.**

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

STATE OF MARYLAND
MARYLAND ADDENDUM TO THE
STUDIO PILATES INTERNATIONAL USA CORP FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Studio Pilates International USA Corp. Franchise Disclosure Document for use in the State of Maryland is amended to include the following:

1. Item 17(m), under the heading entitled “Conditions for Franchisor Approval of Transfer,” is amended to add the following language at the end of the section:

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Items 17(v) and 17(w), under the headings entitled “Choice of Forum” and “Choice of Law, are amended to add the following language at the end of the section:

Notwithstanding the foregoing, you are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

3. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

4. Exhibit H (Compliance Questionnaire) of the Franchise Disclosure Document is deleted. The questionnaire shall not be completed or signed by and will not apply to any franchisees and franchises that are subject to the Maryland franchise registration/disclosure laws.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**MARYLAND AMENDMENT TO THE
STUDIO PILATES INTERNATIONAL USA CORP. FRANCHISE AGREEMENT
AND ANY MULTI-UNIT OPTION ADDENDUM**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Studio Pilates International USA Corp. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Sections 25.2(d), 25.6[c], and 26.1(f) are amended to add the following:

"Notwithstanding the foregoing, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

2. Sections 29 and 33.22 of the Franchise Agreement (Resolving Disputes), and the Multi-Unit Option Addendum, are amended to add the following:

"Notwithstanding the foregoing, you are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, within 3 years after the grant of the franchise."

3. Background Section E, and Sections 16.6 and Section 21 of the Franchise Agreement are deleted.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

**STUDIO PILATES INTERNATIONAL
USA CORP.**

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

STATE OF MINNESOTA

MINNESOTA ADDENDUM TO THE STUDIO PILATES INTERNATIONAL USA CORP FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, the Studio Pilates International USA Corp. Franchise Disclosure Document for use in the State of Minnesota are amended to include the following:

~~1.6.~~ Item 6 is amended to add the following:

NSF checks and related interest and attorneys' fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.

~~2.7.~~ Item 17(m), under the heading entitled "Conditions for Franchisor Approval of Transfer," is amended to add the following language at the end of the section:

Any general release will not apply to any liability under the Minnesota Franchise Law.

~~3.8.~~ Items 17(b), 17(c), 17(f), and 17(k), under the headings entitled "Renewal or Extension of the Term," "Requirements for Franchisee to Renew or Extend," "Termination by Franchisor With Cause," and "Transfer" by Franchisee – Defined," are amended to add the following language at the end of those sections:

Minnesota law provides you with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. §80C.14 (Subd. 3, 4, and 5) currently requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably denied.

~~4.9.~~ Item 17(v), under the heading entitled "Choice of Forum," is amended to add the following language at the end of the section:

Minnesota Stat. § 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from: (i) requiring litigation to be conducted outside Minnesota; (ii) requiring waiver of a jury trial; and (iii) requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. Nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (i) any of the franchisee's rights as provided for in Minnesota Franchise Act or (ii) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

~~5.10.~~ Item 17(w), under the heading entitled "Choice of Law," is amended to add the following language at the end of the section:

This provision may not be enforceable under Minnesota law.

~~6.11.~~ The Franchisor will protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

STATE OF VIRGINIA

The Franchise Disclosure Document is amended as follows:

1. No statement, questionnaire, or acknowledgment signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- ~~2. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.~~
- 3.2. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**AMENDMENT TO FRANCHISE AGREEMENT
(VIRGINIA)**

THIS AMENDMENT TO FRANCHISE AGREEMENT (this "Amendment") is made as of the last date set forth on the signature page to this Amendment, by and between Franchisee and STUDIO PILATES INTERNATIONAL USA CORP., a Delaware Corporation, ("Franchisor" or "we"). All capitalized terms not defined herein shall have the meaning set forth in the Franchise Agreement, as defined below.

WHEREAS, Franchisor and Franchisee entered into that certain Franchise Agreement dated as of [_____, 20__] (the "Franchise Agreement");

and

WHEREAS, Franchisor and Franchisee hereby wish to amend the Franchise Agreement in accordance with the terms and conditions contained in this Amendment.

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereby agree to amend the Franchise Agreement as follows:

~~1. Sections 2.6(c) and 3.1(a) of the Franchise Agreement are amended to add the following:~~

~~“Notwithstanding the foregoing, your obligation to pay the Initial Franchise Fee is deferred until we have fulfilled all of our pre-opening obligations under this Franchise Agreement and until the franchise outlet is open.”~~

~~2.1.~~ The following is added to Section 33.13:

“No statement, questionnaire, or acknowledgment signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

IN WITNESS WHEREOF, the parties have executed this Amendment to Franchise Agreement on the dates set forth below.

**STUDIO PILATES INTERNATIONAL
USA CORP.**

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**WASHINGTON ADDENDUM TO THE
STUDIO PILATES INTERNATIONAL USA CORP.
FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the Studio Pilates International USA Corp. Franchise Disclosure Document for the offer and sale of franchises in the State of Washington will be amended as follows:

1. Item 17, Row P is amended to state that in the event of the death or disability of the franchisee (if it is an individual) or one of the key people, the franchisee must locate, and the franchisor must approve, a suitable replacement within 180 days, rather than 60 days, after the event of such death or permanent incapacity or the event of the legal representative or executor appointment, whichever is later.
2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.
3. RCW §19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.
4. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
5. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights, or remedies under the Act such as a right to a jury trial may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
7. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
8. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i)

soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

9. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

10. No statement, questionnaire, or acknowledgement signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

Each provision of this Addendum to the Franchise Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Addendum.

**WASHINGTON AMENDMENT TO THE
STUDIO PILATES INTERNATIONAL USA CORP. FRANCHISE AGREEMENT AND THE
MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the parties to the attached Studio Pilates International USA Corp. Franchise Agreement (the “Franchise Agreement”) and any Multi-Unit Development Agreement (if applicable) agree as follows:

1. The sixty day time period in Sections 9.2[c] (Key People) and 25.5 (Transfer Upon Death or Disability of Franchisee or Key People) is amended from sixty days to 180 days.

2. Section 5.4[c] (Updates) of the Franchise Agreement is amended to add the following:

“Franchisor cannot impose any fees in connection with any Updates, which you are required to pay Franchisor or its affiliates, or that Franchisor or its affiliates impose or collect for a third party, that were not disclosed in Item 6 of the Franchise Disclosure Document.”

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

4. RCW §19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

5. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

6. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

7. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

8. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor’s

earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

9. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

10. Section 21.1 of the Franchise Agreement is deleted.

11. No statement, questionnaire, or acknowledgement signed or agreed to by a 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

12. Exhibit H (Compliance Questionnaire) to the Franchise Disclosure Document is deleted. Franchisee and its principals are not required to complete and sign the Compliance Questionnaire.

13. Section 23.1 of the Franchise Agreement is amended to add the following:

“Notwithstanding the foregoing, Franchisee shall not be required to indemnify Franchisor for liability arising out of the Franchisor’s own gross negligence, willful misconduct, fraud, or strict liability.”

14. The Form of Consent and Release, attached as Annex B to the Franchise Disclosure Document does not apply to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

**STUDIO PILATES INTERNATIONAL
USA CORP.**

FRANCHISEE

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Exhibit F to Disclosure Document

LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, ~~2024~~2023

State	Name	Studio Address	Telephone Number	Email Address
California				
	<u>Lori Beffa*</u>	<u>Elk Grove, CA</u> (location to be identified)	(209) 751-9478	<u>lbeffa@studiopilates.com</u>
	Sharon Mason	<u>River Street Marketplace,</u> <u>31896 Paseo Adelanto, Suite #203,</u> San Juan Capistrano, <u>CA 92675</u> California. Location still to be identified.	(213) 700-0456	<u>smason@studiopilates.com</u>
	<u>Xiyu Liu</u>	<u>100 Grand Lane, Suite F, Foster City, CA 94404</u>	(617) 582-3383	<u>sliu@studiopilates.com</u>
Colorado				
	Laurel Mura	<u>18148 W 92nd Ln, Suite 200,</u> <u>Arvada, CO 80007</u> Denver, Colorado. Location still to be identified.	(970) 988-8022	<u>lmura@studiopilates.com</u>
	<u>Robin Tuck*</u>	<u>Castle Rock, Colorado</u> (location to be identified)	(719) 338-0523	<u>rtuck@studiopilates.com</u>
	<u>Sarah Umbach*</u>	<u>2245 Main Street, Building 10, Suite 11,</u> <u>Superior, CO 80027</u>	(720) 517-1442	<u>sumbach@studiopilates.com</u>

Florida					
	Jayne Taylor*	Ocala, Florida. (Location still to be identified).	(703) 517-8062		jtaylor@studiopilates.com
Idaho					
	<u>Stefani Faight*</u>	<u>2263 E Fairview Ave, Meridian, ID 83642</u>	<u>(209) 329-1188</u>		sfaught@studiopilates.com
Kentucky					
	Kathy Abbott	10709 Meeting Street, Prospect, KY 40059	(502) 314-2420		kabbott@studiopilates.com
Minnesota					
	Tammy Birlew	Suite 432, 420-438 Pond Promenade, Chanhassen, MN 55317	(612) 968-8431		tbirlew@studiopilates.com
	<u>Amber Burrus*</u>	<u>Suite 102, Woodbury Village, 7200 Valley Creek Plaza, Woodbury, MN 55125</u>	<u>(502) 314-0830</u>		aburrus@studiopilates.com
Nevada					
	<u>Ketti Michele*</u>	<u>279 Los Altos Parkway, Suite 109, Sparks, NV 89436</u>	<u>(916) 842-8885</u>		kmichele@studiopilates.com
New Jersey					
	Sekio Santa-Martine	Shop 16, Pier Village, 50 Chelsea Ave., Long Branch, NJ 07740	(732) 895-6120		Ssato-martini@studiopilates.com

New York					
	<u>Karine Baczynski*</u>	<u>Brooklyn, NY (location still to be identified)</u>	<u>(463) 258-8046</u>		<u>kbaczynski@studiopilates.com</u>
	Marisa Fuller	575 4 th Avenue, South Slope, Brooklyn, NY	(646) 4748	483-	<u>mfuller@studiopilates.com</u>
	<u>Carla Lewis*</u>	<u>301 W. 110th Street, New York, NY 10026</u>	<u>(917) 627-6369</u>		<u>clewis@studiopilates.com</u>
	Feba Michel	535 Carlton Avenue, Brooklyn, NY 11238	(631) 5741	793-	<u>fmichel@studiopilates.com</u>
	<u>Jason Wong</u>	<u>653 Metropolitan Avenue, Brooklyn, NY 11211</u>	<u>(551) 1065</u>	232-	<u>jwong@studiopilates.com</u>
Tennessee					
	Naomi Priestley	<u>405 40th Ave N, Nashville, Tennessee.</u> Location still to be identified.	(310) 9310	962-	<u>npriestley@studiopilates.com</u>

* Indicates not yet opened as of December 31, 2024.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<u>State</u>	<u>Effective Date</u>
California	Pending
Indiana	Pending August 6, 2024
Illinois	Pending
<u>Maryland</u>	<u>Pending</u>
Michigan	Pending July 3, 2024
Minnesota	Pending
New York	Pending
Virginia	Pending August 1, 2024
Washington	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.

RECEIPTS

(Return one signed copy of this receipt to Studio Pilates International USA Corp)

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 Studio Pilates International USA Corp. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Studio Pilates International USA Corp. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit B.

This franchise is offered for sale by Studio Pilates International USA Corp., 246 Hawthorne Road, Hawthorne, Queensland 4171, Australia. Tel. (917) 310-3883. The issuance date of this Disclosure Document is ~~March~~~~June~~ 14, ~~2025~~~~2024~~. The names and contact information (principal business addresses and telephone number) for the individuals involved in the sale of this franchise are:

I received a disclosure document from Studio Pilates International USA Corp., dated as of ~~March~~~~June~~ 14, ~~2025~~~~2024~~, that included the following Exhibits:

- A Franchise Agreement and Related ~~Agreements~~~~Agreement~~
- B State Administrators
- C Table of Contents of Operations Manual
- D Financial ~~Statements~~~~Statement~~
- E State Specific Addenda
- F List of Current Franchisees
- G List of Franchisees that Left System in the Past Year
- H Compliance Questionnaire

Prospective Franchisee

Date: _____

~~Prospective Franchisee~~

~~Date: _____~~

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Prospective Franchisee

Date: _____

~~Date:~~ _____
~~Prospective Franchisee~~
