

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 to ~~\$818,860~~,150. This includes \$208,750 to ~~\$230,272~~,550 that must be paid to the franchisor or affiliates. If you elect to enter into a Multi-Unit Option Addendum to establish one or two 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.

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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, but not the custom duties.

You must reimburse us for the customs duties on the reformers. The customized reformers which you are required to buy are manufactured and shipped from China. As of early May 2025, the U.S. government's tariffs on goods imported from China into the U.S. were about 145%. Based on this level of U.S. tariffs, the customs duties on 14 reformers, which is the typical number of reformers for a studio, will be about \$42,000. The amount of customs duties will vary depending on the number of reformers you order and the level of U.S. tariffs at the time of shipment.

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 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 \$12,000 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 \$1,950 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 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 \$45,000. 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 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	\$50,000
Reformers	\$55,200 to \$64,400
Customs Duties	\$0 to \$42,000
Opening Package Fee	\$25,000
Architectural Package Fee	\$23,500
Marketing Launch Package Fee	\$12,000
Technology Subscription – initial lump sum for services activated prior to launch	\$1,950

Audio-Visual Equipment (including CCTV)	\$35,000 to \$45,000
Initial Inventory	\$5,600 to \$7,200
Uniforms	\$500 to \$1,500
Total	\$208,750 to \$230,272 ,550

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 Post-Launch Costs (Note 4)	\$16,000 for up to eight people if paid by franchisee, or \$1,000 - \$2,500 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, subject to state law.	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

(Note 11)		otherwise agreed	of intent with the landlord, and before Opening	supplier Us
Reformer Storage Pre-Launch (Note 12)	\$0 - \$4,000	As arranged	Before Opening	Vendors
<u>Reformer Customs Duties (Note 13)</u>	<u>\$0 - \$42,000</u>	<u>Lump sum</u>	<u>Upon reformers arrival into the United States</u>	<u>Us</u>
Initial Inventory (Note 13 14)	\$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
Merchandise Stands (Note 14 15)	\$600	As invoiced or otherwise agreed	Upon signing the letter of intent with the landlord, and before Opening	Approved supplier.
Computer Hardware	\$2,500 - \$4,000	As arranged	Before Opening	Vendors
Insurance (Note 15 16)	\$3,000 - \$4,500	As arranged	Varies with supplier	Vendors
Permits & Licenses (Note 16 17)	\$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 18)	\$4,000 - \$10,000	As arranged	Varies with supplier	Professionals (Accountant, attorney, etc.)
Pre-Launch Wages (Note 18 19)	\$20,000 - \$40,000	As arranged	Before Opening	Employees
Additional Funds/Working Capital (Note 19 20)	\$10,000 - \$25,000	As arranged	Varies with supplier	Vendors
Total (Note 20 21)	\$486,950 - \$1 <u>\$8860,150</u>			

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 \$50,000. 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

Note 11. You must purchase the required reformers from us. 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, but does not include customs duties, which you are responsible to pay under the Franchise Agreement. The reformers are customized for our studios and they are manufactured in and shipped from China. The tariffs imposed on Chinese products, which may be significant, are impossible to estimate or predict due to the volatile nature of the trade war between the United States and China. 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 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 must pay or reimburse us for the customs duties on all products including the reformers. The customized reformers which you are required to buy are manufactured and shipped from China. As of early May 2025, the U.S. government's tariffs on goods imported from China into the U.S. were about 145%. Based on this level of U.S. tariffs, the customs duties on 14 reformers, which is the typical number of reformers for a studio, will be about \$42,000. The amount of customs duties will vary depending on the number of reformers you order and the level of U.S. tariffs at the time of shipment.

Note 14. 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~~15. 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~~16. 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~~17. 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 1718. 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 1819. These figures do not include the salary for the studio manager, based on the assumption that you will manage the studio.

Note 1920. 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 2021. 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

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~~our 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”, without the letters SP or the stylized design, filed November 21, 2024, Serial No. 98866762.

With regard to the word mark “Studio Pilates International,” without the letters SP or the stylized design, we do not have a federal registration for this trademark. Therefore, this trademark does not have many legal benefits and rights as a federally-registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

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

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. Spouses of such persons, who are not a shareholder, principal officer, partner, or member, are not required to sign as a personal guarantor.

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.

STATE OF ILLINOIS

The Franchise Disclosure Document is amended as follows:

1. The “Special Risks to Consider About This Franchise” page is amended to add the following Risk Factor:

“5. **Financial Condition.** The Franchisor’s financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor’s financial ability to provide services and support to you.”

2. Item 5, Section entitled “Initial Franchise Fee,” is amended to add the following:

“Your obligation to pay the initial franchise fee is deferred until the time when we have fulfilled all of our pre-opening obligations owed to you under the franchise agreement and other agreements, and you have commenced doing business pursuant to the franchise agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.”

~~1.3.~~ Illinois law governs the Franchise Agreement(s).

~~2.4.~~ 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.

~~3.5.~~ Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

~~4.6.~~ 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.

~~5.7.~~ 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."

~~6.8.~~ Exhibit H (Compliance Questionnaire) of the Franchise Disclosure Document is deleted. You are not required to sign the Compliance Questionnaire.

~~7.9.~~ 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.

**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. 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 and you have commenced doing business pursuant to this franchise agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition."

2. The Multi-Unit Option Addendum is amended to add the following new Section 25:

"25. Notwithstanding the foregoing, the payment of the First Option Fee will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business pursuant to the franchise agreement for the First Option, and the payment of the Second Option Fee will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business pursuant to the franchise agreement for the Second Option. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition."

3. 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."

4. The Multi-Unit Option Addendum is amended to add the following new section 27:

“27. Illinois law governs this Multi-Unit Option Addendum.”

~~3.5.~~ 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.

~~4.6.~~ Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

~~5.7.~~ 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.

~~6.8.~~ 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."

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. The “Special Risks to Consider About This Franchise” page is amended to add the following Risk Factor:

“Unopened franchises. The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.”

2. Item 5 is amended to add the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

1.3. 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.

2.4. 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.

3.5. 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.).

4.6. 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.

5.7. 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 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. Sections 2 and 14 of the Multi-Unit Option Addendum (Annex C) (if applicable) are amended to add the following:

"Notwithstanding the foregoing, your obligation to pay the Multi-Unit Option Fee is deferred until your first franchise opens."

3. 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."

4. 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."

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

6. 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. The “Special Risks to Consider About This Franchise” page is amended to add the following Risk Factor:

“Unopened franchises. The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.”

~~1.2.~~ 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.

~~2.3.~~ 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.

~~3.4.~~ 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.

~~4.5.~~ 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.

~~5.6.~~ 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.

~~6.7.~~ 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.

~~7.8.~~ Minn. Rules §2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a release that would relieve any person from liability imposed by Minnesota Statutes, Chapter 80C.

~~8.9.~~ Any limitations of claims must comply with Minn. Stat. §80C.17, subd. 5.

~~9.10.~~ Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

~~10.11.~~ Exhibit H (Compliance Questionnaire) of the Franchise Disclosure Document is deleted. You are not required to sign the Compliance Questionnaire.

~~11.12.~~ 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.

~~12.13.~~ Each provision of this Addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional 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 are met independently without reference to this Addendum to the Disclosure Document.

STATE OF NEW YORK

The Franchise Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

“INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21st FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.”

2. On the state cover page, the following risk factor is added:

“5. FINANCIAL CONDITION. The franchisor’s financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor’s financial ability to provide services and support to you.”

- 2.3. The following is added at the end of Item 3:

“Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

3.4. The following is added to the end of Item 4:

“Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.”

4.5. The following is added to the end of Item 5:

“The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.”

5.6. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

“However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.”

6.7. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

“You may terminate the agreement on any grounds available by law.”

A. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

“However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.”

7.8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

“The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

- 8-9. Exhibit H (Compliance Questionnaire) of the Franchise Disclosure Document is deleted. You are not required to sign the Compliance Questionnaire.
- 9-10. Franchise Questionnaires and Acknowledgements - 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.
11. Receipts – Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provide to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

STATE OF VIRGINIA

The Franchise Disclosure Document is amended as follows:

1. The “Special Risks to Consider About This Franchise” page is amended to add the following Risk Factor:

“5. **Financial Condition.** The franchisor’s financial condition, as reflected in the financial statements (see Item 21), calls into question the franchisor’s financial ability to provide services and support to you.”

2. Item 5 is amended to add the following:

“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.”

- 1.3. 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.

- 2.4. 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. The following is added to Section 3.1:

“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.”

~~1.2.~~ 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, FRANCHISE AGREEMENT, MULTI-UNIT
OPTION ADDENDUM, AND ALL RELATED AGREEMENTS**

~~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.~~

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, the multi-unit option addendum (if applicable), and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

- 2.1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

- 3.2. **Franchisee Bill of Rights.** 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.

- 4.3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~will not include rights to waive compliance with any provision~~ under the Washington Franchise Investment Protection Act or any ~~rules~~ rules or ~~order~~ orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions ~~such as those which~~ contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights, or remedies

under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- 7.14. **Noncompetition Covenants.** 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.
- 8.15. **Nonsolicitation Agreements.** 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.~~

~~10.16. **Questionnaires and Acknowledgements.** 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~~

~~17. Each **Prohibitions on Communicating with Regulators.** Any provision of this Addendum to in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington and is unlawful under RCW 19.100.180(2)(h).~~

~~**Advisory Regarding 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 Brokers. Under 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 a “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 broker” is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the defined as a person that engages in the business of the offer or 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. A franchise broker represents the franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same and is paid a fee for referring prospects to the franchisor, and/or (ii) soliciting or hiring any employee of selling 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.~~

~~11.18. No statement, questionnaire, or acknowledgement signed or agreed to by franchisee. If a franchisee in connection is working with the commencement of the a franchise relationship shall have the effect of (i) waiving any claims under any applicable state broker, franchisees are advised to carefully evaluate any information provided by the franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, broker about a 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~~

19. **Special Risks.** The “Special Risks to Consider About This Franchise” page is amended to add the following Risk Factor:

“Financial Condition. The franchisor’s financial condition, as reflected in the financial statements (see Item 21), calls into question the franchisor’s financial ability to provide services and support to you.”

12.20. **Compliance Questionnaire.** 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.

~~11. 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.”~~

13.21. **Consent and Release.** 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).

22. **Fee Deferral.** 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 fees described in Item 5 of the Franchise Disclosure Document is deferred until Franchisor has fulfilled its initial pre-opening

obligations to Franchisee and Franchisee is open for business.

Sections 2 and 14 of the Multi-Unit Option Addendum (Annex C) (if applicable) are amended to add the following:

“Notwithstanding the foregoing, your obligation to pay each option fee for each additional studio is deferred until after each studio opens.”

23. Fees. 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.”

24. Replacement in the Event of Death or Disability. 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) of the Franchise Agreement is amended from sixty days to 180 days.

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.

25. Franchisee’s Representations and Warranties. Section 21.1 of the Franchise Agreement (Franchisee’s Representations and Warranties) is deleted.

26. Indemnification. 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.”

Each provision of this AmendmentAddendum 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 AmendmentAddendum.

~~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.~~The undersigned parties do hereby agree to the terms of this Addendum..

**STUDIO PILATES INTERNATIONAL
USA CORP.**

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____