

FRANCHISE DISCLOSURE DOCUMENT

PILATES REPUBLIC

PILATES REPUBLIC FRANCHISING LLC
a California Limited Liability Company
2654 Del Mar Heights Road
San Diego, California 92014
(760) 891-5426
franchise@pilatesrepublic.com
www.PilatesRepublic.com

We offer franchises to establish and operate a fitness studio that provides Pilates and wellness classes, instruction, private sessions, and related services under the “Pilates Republic[®]” name and system.

The total investment necessary to begin operation of a Pilates Republic[®] studio is \$375,137 to \$584,106. This includes \$54,080 to \$58,080 that must be paid to the franchisor or an affiliate.

This Franchise Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive this Franchise 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 Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Pilates Republic Franchising LLC, 2654 Del Mar Heights Road, San Diego, California 92014, (760) 891-5426, franchise@pilatesrepublic.com.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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: December 31, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in California than in your own state.
2. **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.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY
MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing the arbitration provision in the franchise agreement. We will seek to enforce this section as written.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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Item 1.

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (this “Disclosure Document”), “franchisor,” “we,” “us,” or “our” means Pilates Republic Franchising LLC. “You” or “your” means the person or entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other business entity, “you” also includes your direct and indirect owners.

The Franchisor and Our Agents for Service of Process.

We are a California limited liability company with the principal business address of 2654 Del Mar Heights Road, San Diego, California 92014, and principal telephone number of (760) 891-5426. Our agents for service of process are listed on Exhibit A. We conduct business under our corporate name and the name “Pilates Republic®.” We do not currently own or operate any Studios (as defined below) though certain of our affiliates do. We began offering franchises for Studios in December 2025. We do not offer franchises in any other line of business. We do not engage in any business activities other than operating the franchise system described in this Disclosure Document.

Our Parent, Predecessor, and Affiliates.

We are wholly-owned by our parent, Pilates Republic, Inc. (“Parent”). Parent owns the Pilates Republic® trademark and other distinctive and proprietary trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”) and provides trademark license rights in the Marks to us, enabling us to license those Marks to franchisees. Parent shares our principal business address. Parent does not sell franchises in this or any line of business nor does it provide products or services to our franchisees. We do not have a predecessor.

The Franchise.

We offer and grant franchises to qualified applicants to operate fitness studios that offer our signature Pilates and wellness classes, instruction, private sessions, and related services (a “Studio”) using our proprietary and distinctive business system, formats, methods, equipment, procedures, design, standards, and specifications (the “System”). Each Studio will offer Pilates and other exercise programs through live instructional group and individual classes, including reformer Pilates and other Pilates apparatuses, strength training, stretching exercises, an instructor training program, and any other services that we authorize. Studios will be operated under the Marks. If we award you a franchise, you must sign our current form of Franchise Agreement attached as Exhibit B (the “Franchise Agreement”), which grants you the right to operate a single Studio at a location we approve (the “Premises”).

Market Competition.

The market for fitness instruction services is highly competitive. Your competitors include other fitness studios, local and national gyms, personal training and other individual workout programs, and other fitness businesses and concepts. Studios are not seasonal.

Laws and Regulations.

Certain states and local governments have passed laws relating specifically to health and fitness facilities, including laws requiring postings concerning steroids and other drug use, requiring certain medical equipment in the facility (such as automated external defibrillators), requiring CPR trained staff on-site, limiting the supplements that health and fitness facilities can sell, requiring that health and fitness facilities not be unmanned, requiring bonds if a health or fitness facility sells memberships valid for more than a specified time period, requiring facility owners to deposit into escrow certain amounts collected from members before the facility opens, and imposing other restrictions on memberships that health and fitness facilities sell. Your Studio will also be subject to various federal, state, and local laws and regulations relating to memberships, zoning, access for the disabled, employee wage and hours, business licenses and permitting, and health and safety. There may also be other laws applicable to your Studio.

Item 2.

BUSINESS EXPERIENCE

Courtney Miller – Director and Chief Executive Officer

Ms. Miller has served as our Director and Chief Executive Officer since August 2024. She is also the Founder and Chief Executive Officer of our Parent and has served in those positions since September 2018.

Item 3.

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4.

BANKRUPTCY

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

Item 5.

INITIAL FEES

Initial Franchise Fee.

When you sign the Franchise Agreement, you will pay us an initial franchise fee of \$50,000. The initial franchise fee is paid in a lump sum and is not refundable.

Initial Inventory.

You must purchase an initial supply of branded inventory from us before you open your Studio, such as apparel, grippy socks, and related accessories. We estimate that initial inventory will cost between \$4,000

and \$8,000. The amount you pay for initial inventory varies based on the items and quantity ordered. You must pay for initial inventory as invoiced by us and once paid, these amounts are not refundable.

Technology Fee.

You will be required to pay our technology fee beginning two months before you open your Studio. Our technology fee is currently \$40 per month, resulting in pre-opening costs of \$80. The technology fee is paid to us on a monthly basis, and once paid, the amount is not refundable.

Item 6.

OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks ²
Royalty	6% of Gross Sales ³	Daily	You must pay us a Royalty in the manner we prescribe.
Marketing Fund Contribution	2% of Gross Sales (subject to change)	Daily	You must pay us a Marketing Fund Contribution in the manner we prescribe. The Marketing Fund Contribution is subject to change up to 5% of your Gross Sales.
Local Advertising Expenditure	Annual average of \$2,000 per month (subject to change)	As incurred	You must spend a minimum amount that we specify to promote your Studio in your area. The average monthly expenditure will be calculated annually based on the preceding 12 calendar months. We may require you to pay some or all of this to us, or a supplier we designate. We may increase this amount up to 10% per year on a compounding basis.
Additional Instructor Onboarding	\$2,000 per training (subject to change), plus out-of-pocket costs and expenses	As invoiced	All instructors for your Studio must complete our Instructor Onboarding (as defined in Item 11) prior to providing services at your Studio. We will provide the Instructor Onboarding to up to ten initial instructors at no cost, provided they all attend at the same time. You must pay our then-current fee for Instructor Onboarding if: (1) we provide Instructor Onboarding to more than ten initial instructors; (2) we provide any portion of the Instructor Onboarding more than once to accommodate your instructors; and/or (3) we provide Instructor Onboarding to any new instructors that you hire during the term of the Franchise Agreement. We may increase this fee up to 10% per year on a compounding basis.

Type of Fee ¹	Amount	Due Date	Remarks ²
Additional Operations Training	\$1,500 per training (subject to change), plus out-of-pocket costs and expenses	As invoiced	You (or if you are an entity, your Managing Owner) and your Operations Manager (if applicable) must attend Operations Training (as defined in Item 11) before opening your Studio. We will provide the Operations Training to you (or your Managing Owner) and your Operations Manager at no cost prior to opening, provided they all attend at the same time. You must pay our fee for Operations Training if: (1) you request, and we approve, any additional attendees at Operations Training; (2) we provide the Operations Training more than once to accommodate your attendees; and/or (3) we provide the Operations Training to any new Operations Manager(s) or Managing Owner during the term of the Franchise Agreement. We may increase this fee up to 10% per year on a compounding basis.
Instructor Certification	\$4,500 per person (subject to change)	As invoiced	All instructors for your Studio must have a Pilates teaching certification from a program we have approved. You may elect to enroll your instructors in our proprietary Instructor Certification (as defined in Item 11) if they have not already obtained an approved Pilates teaching certification. Our standard fees apply to Instructor Certification and are subject to change. If your instructors wish to obtain a Pilates teaching certification from another vendor, they may do so, provided the certification program satisfies our minimum standards.
Continuing Education	\$500 per attendee per day if offered at one of our Studios (subject to change); or \$1,000 per attendee per day (subject to change), plus out-of-pocket costs and expenses, if offered at your Studio	As invoiced	You and your managers and instructors will be required to satisfy our requirements for continuing education. We may increase these fees up to 10% per year on a compounding basis.

Type of Fee ¹	Amount	Due Date	Remarks ²
Remedial Continuing Education	\$1,000 per day (subject to change), plus out-of-pocket costs and expenses	As invoiced	If you or any of your required managers or instructors fail to complete any required continuing education, you must pay our fee for remedial continuing education. We may increase this fee up to 10% per year on a compounding basis.
Other Guidance and Training	\$150 per hour (subject to change), plus out-of-pocket costs and expenses	As incurred	You must pay us an additional training fee if: (1) you request, and we agree to provide you with, any additional or special training; and/or (2) we require that you or any of your managers or instructors attend additional training because we determine that your Studio or such persons are not operating in compliance with our system standards, and/or any such persons fail to complete any other required training to our satisfaction. We may increase this fee up to 10% per year on a compounding basis.
Annual Conference Fee	\$500 per attendee (subject to change)	As incurred	If we host an annual conference, you must pay us this fee. We may increase this fee up to 10% per year on a compounding basis. You must pay our conference fee for the minimum required attendees we specify regardless of whether such person(s) attend the conference.
Technology Fee	\$40 per month (subject to change)	Monthly	We may require you to pay a technology fee. The technology fee is subject to change by up to \$100 per year on a compounding basis.
Renewal Fee	\$10,000	Before renewing Franchise Agreement, if approved	Payable as a condition upon renewal of your Franchise Agreement.
Transfer Fee	\$5,000 for transfer of non-controlling interest in you; \$25,000 for transfers to a current franchisee; and \$50,000 for all other transfers	Half when you apply for a transfer, the balance prior to the transfer	Payable as a condition of transfer unless the transfer occurs because you or your owners die or are disabled or if the transfer is to an immediate family member, provided that in such cases you reimburse us for our costs incurred in reviewing and processing such transfer, including legal fees.

Type of Fee ¹	Amount	Due Date	Remarks ²
Financial Audit	Understated amounts plus interest and reimbursement of our audit fees and related expenses	Within 15 days after receiving the report	Due if you fail to furnish any reports we require or understate Gross Sales. If the understatement is more than 3% of Gross Sales, you must also reimburse our audit fees and related expenses.
Interest on Late Payment	1.5% per month or highest commercial contract interest rate allowed by law, whichever is lower	As incurred	Due on all overdue amounts and accruing as of the original due date.
Insufficient Funds	\$50 per instance (subject to change)	On demand	You must pay this fee if there are insufficient funds in your designated account to cover our withdrawals and/or each time any payment to us that you issue and/or we initiate fails. This fee is subject to change up to \$100 per instance.
Maintenance	Reimbursement of our costs and expenses	On demand	If you fail to maintain our system standards at your Studio, and do not correct the deficiency within 30 days after we notify you, we can undertake any required maintenance or refurbishing, and you must reimburse our costs.
Customer Complaints	Reimbursement of our costs and expenses	On demand	If we are contacted by a customer of your Studio who wishes to lodge a complaint, we may refund money to the complaining customer, in which case you must reimburse us for these amounts.
Insurance	Reimbursement of our costs and expenses	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for our costs for doing so.
Proof of Insurance: Non-Compliance Fee	\$500 per occurrence	On demand	You must pay us a fee per instance if you fail to submit to us certificates of insurance at the time and in the manner we prescribe.
Tax Reimbursement	Reimbursement of our costs and expenses	On demand	If we, for any reason, pay taxes to any state or federal taxing authority on account of either your operations or payments that you make to us (except for our income taxes) you must reimburse us for such amounts, plus our expenses.
Indemnification	Reimbursement of our costs and expenses	On demand	You must reimburse us and our affiliates if we are held liable for claims related to your operations, your Studio, your breach of the Franchise Agreement, or your employees or employment practices.

Type of Fee ¹	Amount	Due Date	Remarks ²
Costs and Attorney's Fees	Reimbursement of our costs and expenses	As incurred	The prevailing party in a dispute or proceeding must pay all damages, costs, and expenses, including mediation, arbitration, and court costs and reasonable attorneys' fees.
Testing of New Product/Supplier	Reimbursement of our costs and expenses	As incurred	If you ask us to evaluate any proposed alternative product or supplier, you must reimburse us for all costs and expenses we incur in doing so.
Centralized Supplier Costs	Reimbursement of all amounts, plus our costs and expenses	Upon demand	We may periodically arrange with suppliers to collect and pay fees centrally. If we do so, you may be required to pay us or our affiliates the fees for certain products and services offered and we will pay the supplier on your behalf.
Interim Operations	Gross Sales exceeding the expenses of your Studio, plus reimbursement of our costs and expenses	As incurred	Due if we operate your Studio on an interim basis: (1) if you abandon or fail actively to operate your Studio for a period of more than two consecutive days; (2) if at any time after the death or disability of you (or your Managing Owner), your Studio is at any time not being managed properly; or (3) if the Franchise Agreement expires or is terminated and we are transitioning your Studio to us or another person we designate.
Reinspection Fee	Reimbursement of our costs and expenses	As incurred	If any inspection of your Studio reveals violations of system standards, you must reimburse us for our cost of the failed inspection and any re-inspection or follow-up visits to your Studio to determine if all violations have been cured.
Mystery Shopper Fee	Reimbursement of our costs and expenses	As incurred	You must reimburse us for the cost of any mystery shoppers that we engage to inspect your Studio or attend any classes.
Failure to De-Identify	Reimbursement of our costs and expenses	On Demand	If you fail to de-identify the Premises upon termination or expiration of the Franchise Agreement, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including to enter the Premises and remove any signs or other materials containing any Marks from your Studio. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies.
Unauthorized Advertising	\$250 per occurrence (subject to change)	As invoiced	We may charge you a per occurrence fee if you use any unauthorized or disapproved advertising,

Type of Fee ¹	Amount	Due Date	Remarks ²
			promotional, or marketing materials. We may increase this fee up to \$500 per instance.
Lost Revenue Damages	Net present value of Royalties and Marketing Fund Contributions from the date of termination until the earlier of 24 months, or your scheduled expiration date.	Within 15 days of termination	If we terminate your Franchise Agreement because of your default or you terminate without cause, you must pay us damages based on our lost revenue. The amount of lost revenue damages will be calculated based on the average monthly amount of your Gross Sales during the 12 full calendar months immediately preceding the last date of regular operations of your Studio in accordance with the Franchise Agreement, or if you have been operating your Studio for less than 12 months, on the average monthly Gross Sales of all Studios during our fiscal year immediately preceding the termination date.

Notes

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are non-refundable and uniformly imposed. All amounts paid to us and our affiliates must be in United States Dollars (\$).
2. We may require you to make payments to us by any method we determine, which may include direct deposit, electronic funds transfer, and/or auto-debit from your business account. Currently, Royalty and Marketing Fund Contributions payments will be made to us directly by the designated payment processor associated with your technology system on a daily basis. If for any reason any such direct deposits are not made, including because any Gross Sales is collected by a third-party platform and not through your technology system’s payment processor, and/or if any fees are not calculated on the basis of Gross Sales, then all such fees and other amounts that you owe us under the Franchise Agreement must be paid through an electronic funds transfer system that allows us to debit a business account you designate for all amounts you owe us on their due dates or the next business day if the due date is a national holiday or a weekend day. You must ensure that funds are available in your designated account to cover our withdrawals. We may require you to make payments through any other method at any time, and you must comply with our payment instructions. We may change the timing and intervals of your payments with notice to you. If we ever stop having access to information from your technology system, and you fail to report your Gross Sales when due, then for each payment that is calculated based on Gross Sales, we may debit your business account 110% of the average of the last three applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your true and correct Gross Sales), we will debit your business account for the balance on any day we specify. If the amounts that we debit from your business account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

3. “Gross Sales” means all revenue or other income or consideration that you derive, directly or indirectly, from operating your Studio, including all revenue, income, or other consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. There will be no deductions for uncollected or uncollectible accounts and no allowances for bad debt. If we authorize or require participation in online group-bought deals, gift certificate and/or gift card programs, the payments you receive will be included in Gross Sales in accordance with our then-current guidelines for calculating Gross Sales. Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from your customers and paid to the appropriate taxing authority.

Item 7.

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee	\$50,000	\$50,000	Electronic Payment	At signing of Franchise Agreement	Us
Real Estate Costs – 3 Month’s Rent Plus Deposit ²	\$30,000	\$75,000	As incurred	Before you open your Studio	Landlord
Net Leasehold Improvements ³	\$36,687	\$135,734	As incurred	Before you open your Studio	Third-Party Suppliers
Technology and Audio System ⁴	\$4,000	\$5,000	As incurred	Before you open your Studio	Third-Party Suppliers
Fitness Equipment ⁵	\$147,553	\$164,209	As incurred	Before you open your Studio	Third-Party Suppliers
Millwork, Furniture, and Fixtures ⁶	\$36,715	\$58,862	As incurred	Before you open your Studio	Third-Party Suppliers
Signage ⁷	\$3,878	\$6,000	As incurred	Before you open your Studio	Third-Party Suppliers
Insurance ⁸	\$4,354	\$6,351	As incurred	As incurred	Insurance Companies

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Training Expenses ⁹	\$1,000	\$3,000	As incurred	Before you open your Studio	Transportation Carriers, Hotel Facilities, Etc.
Opening Marketing Plan ¹⁰	\$20,000	\$20,000	As incurred	Before you open your Studio	Third-Party Suppliers
Initial Inventory ¹¹	\$4,000	\$8,000	Electronic Payment	Before you open your Studio	Us
Technology and Software Fees ¹²	\$1,950	\$1,950	As incurred	As incurred	Us and Third-Party Suppliers
Licenses, Permits, and Professional Fees ¹³	\$5,000	\$5,000	As incurred	Before you open your Studio	Third-Party Suppliers and Government Agencies
Additional Funds – 3 months ¹⁴	\$30,000	\$45,000	As incurred	As incurred	Third-Party Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT ¹⁵	\$375,137	\$584,106			

Notes

1. **General.** Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreement with these respective third parties.
2. **Real Estate Costs.** The cost of leasing or acquiring your Premises will depend upon the market in which the proposed site is located. The range above reflects our estimate of three months of triple-net real estate costs for the lease of a typical site that we would accept plus a one-month security deposit. You should carefully investigate such costs in your market area. A suitable space for a Studio will be approximately 2,000 to 2,500 square feet. Local market conditions, changes in the economy, and inflation will also contribute to your occupancy costs. The location of the parcel of real property, its relationship to and the nature of any adjoining uses, and its accessibility will affect both its size and price. We must accept your Premises and any Lease (as defined in Item 11) that you wish to sign to secure the Premises. Lease agreements vary but usually require the lessee to pay (in addition to rent) for maintenance, insurance, taxes, and any other charges or expenses for

the land and building or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest).

3. **Net Leasehold Improvements.** The cost of your leasehold improvements (net of estimated tenant improvement allowances) will depend on a number of factors, including the condition and size of your Premises and your geographic market. We have assumed for our estimate above that your Premises are approximately 2,000 to 2,500 square feet. We expect that you will not sign a lease unless the landlord is willing to provide a reasonable tenant improvement allowance. We have also assumed that your Premises will have previously been used as a recreational or retail facility, including that it has existing plumbing, HVAC, lighting, and similar systems. It does not include the cost of ground-up construction, architectural design, or other material construction costs. The estimate also assumes that the Premises is in good condition structurally and mechanically. Depending on the terms you negotiate with your landlord, the landlord may contribute to your leasehold improvements, and your costs will depend on the level of contribution of the landlord.
4. **Technology System.** The cost of your technology system will depend on whether you already own any components that must be purchased, freight and installation costs, the cost of internet and connectivity services in your area, applicable state and local taxes, and other factors.
5. **Fitness Equipment.** The expense for fitness equipment will depend on the size and specifications of your Studio, market factors, freight and shipping costs, applicable taxes, and other factors. Our estimate is based on the purchase of 14 Pilates reformers and smaller pieces of related equipment such as bands and weighted exercise balls.
6. **Millwork, Furniture, and Fixtures.** This estimate includes custom millwork, furniture, and other fixtures such as mirrors needed to set-up and operate your Studio.
7. **Signage.** You will need indoor and outdoor signage for your Studio. The cost of your signage will depend on several factors, including the size of your Studio, the complexity of your building, local ordinances and regulations, as well as landlord restrictions and requirements for signage.
8. **Insurance.** Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. Your insurance costs will depend on the location of the Studio, the specifications of the Premises, the number of employees you hire and your own background. The amounts listed above estimate the cost of your annual premium.
9. **Training Expenses.** You will be responsible for paying all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you and your personnel incur during any and all meetings and/or training courses and programs of any kind. Our estimate above assumes that no more than ten instructors attend Instructor Onboarding and that all instructors you engage are already certified to teach Pilates. Our estimate above does not include the cost of our Instructor Certification or Instructor Onboarding for any of your instructors.
10. **Opening Marketing Plan.** You must spend at least \$2,000 per month on approved digital marketing during the three-month period prior to the Opening Date and ending six months after

your Opening Date, and \$2,000 for an approved client appreciation event during the first 60 days after the Opening Date. The estimate above is for the pre-opening period and six months after opening, plus one approved client appreciation event. You must spend this amount in addition to all other amounts you must spend on advertising specified in your Franchise Agreement.

11. **Initial Inventory**. This estimate includes your initial inventory of branded apparel, grippy socks, accessories, bags, and hats as well as other items we require to be ordered prior to the start of membership sales, including promotional items and Studio accessories. The cost to purchase initial inventory will depend on the local market conditions, the size of your Studio, and other factors.
12. **Technology and Software Fees**. This estimate is for our technology and software fees, which includes two months pre-opening and three months post-opening.
13. **Licenses, Permits, and Professional Fees**. The amount of professional fees you incur will depend based on the number of representatives you engage, their experience and sophistication, and the geographic market in which you operate. This estimate assumes you will engage an attorney to help you establish a business entity and obtain local licenses. It does not include professional fees you may incur in hiring business consultants, general contractors, or other representatives to assist you. The licenses and permits you must obtain to operate your Studio will also depend upon the state, county, municipality, or other political subdivision in which your Studio is located.
14. **Additional Funds – Three Months**. This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Studio’s first three months of operation, including utilities, payroll taxes, advertising, operating supplies, maintenance and repair, office supplies, as well as additional opening capital for other variable costs. The estimated initial investment figures shown above are based on the experience of us and our affiliates.
15. **Total Estimated Initial Investment**. The estimated initial investment figures provided in this chart assume that you (or your Managing Owner) are not paid any salary or wages, and do not include an estimate of such amounts or any other associated payroll costs for you (or your Managing Owner). This estimate also assumes that your Managing Owner operates the Studio and does not include any estimated salary or wages for an Operations Manager. The estimate does not include the costs and fees associated with any financing you obtain. We do not offer financing directly or indirectly for any part of the initial investment.

Item 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services, and Suppliers

We may require that you purchase and use only the products and services meeting our system standards. We may also require that you purchase the products and services only from suppliers that we have designated or approved or that otherwise meet our system standards. We may designate certain suppliers as the exclusive supplier of certain products and services. We or our affiliates may be an exclusive or approved supplier of certain products or services, or otherwise be a party to these transactions.

Our criteria for suppliers are not currently issued to franchisees or approved suppliers. If you would like us to consider approving a supplier that is not an approved supplier, you must submit your request in writing before purchasing any items or services from that supplier. We will make all determinations about whether to approve an alternative supplier based on our then-current criteria, including requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, or other criteria. We estimate that we will provide notice of our decision to approve or disapprove an alternative supplier within 30 days of receiving the request. We may also refuse to consider and/or approve any proposed alternative supplier for any reason whatsoever. If you ask us to evaluate any proposed alternative supplier, you must reimburse us for all costs and expenses we incur in doing so. We may, with or without cause, revoke our approval of any supplier at any time with notice to you.

Currently, you must purchase: (1) branded inventory and certain other supplies and accessories from us; (2) reformers, fitness equipment, and studio management and scheduling software from our designated exclusive suppliers; and (3) all other fitness accessories, equipment, signage, and décor from suppliers that we have approved. Neither we nor our affiliates derived any revenue in our prior fiscal year from the sale of products or services to franchisees.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent approximately 45% to 63% of your total purchases to establish your Studio and 78% to 80% of your total purchases to operate your Studio.

Insurance

You must obtain and maintain the minimum insurance coverages that we require at your own expense. These insurance policies must be purchased from licensed insurers having a rating of “A/VIII” or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). We may change the minimum amounts of coverage required under these insurance policies or require different or additional insurance coverages. Each insurance policy must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days’ prior written notice to us of a policy’s material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us and any of our affiliates or other designees. Currently, we require the following minimum coverage:

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability, and fire damage coverage in the amount of \$1,000,000 combined single limit per occurrence and \$2,000,000 general aggregate;
2. “All Risks” coverage for the full cost of replacement of the Premises and all other property in which we may have an interest with agreed amount endorsement for the Premises naming us as a loss payee;
3. Business interruption insurance covering at least twelve months of (1) lost profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance and (2) your Royalty and Marketing Fund Contribution calculated based on the Gross Sales used as the basis for calculation of the business interruption insurance award. The business interruption

insurance must be written on an all-risk form, either as an endorsement to the policies described in (1) and (2) above, or on a separate policy;

4. Workers' compensation insurance in amounts required by applicable law; and
5. Such other insurance as may be required by the landlord of the Premises and by the state or locality where the Studio is located.

Purchase Agreements, Material Benefits, and Revenue

We have not established any purchasing cooperatives or programs with designated or approved suppliers for Studios. We have negotiated purchase arrangements with manufacturers or suppliers for the benefit of franchisees, including pricing terms, for the following products and services: reformers and certain other fitness equipment, accessories, and Studio supplies. We do not provide material benefits to franchisees for purchasing particular products or services using designated or approved suppliers.

We and our affiliates may derive revenue from suppliers based on your purchases and leases of products and services (such as vendor rebates, promotions, and similar payments) though currently neither we nor our affiliates do so. In our prior fiscal year, we did not collect any revenue or other consideration from suppliers based on franchisee purchases and leases.

None of our officers owns any interest in any of the designated or approved suppliers other than us.

Item 9.

FRANCHISEE'S OBLIGATIONS

This table lists our 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 IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	Sections 3.A and 3.B	Item 11
(b) Pre-opening purchases/leases	Sections 3.B and 9.E	Item 5, 7, 8 and 11
(c) Site development and other pre-opening requirements	Section 3	Items 7, 8, and 11
(d) Initial and ongoing training	Sections 5.A, 5.B, 5.C, 5.D, and 5.E	Items 6, 7, and 11
(e) Opening	Section 3.C	Item 11
(f) Fees	Section 4	Items 5, 6, 7 and 11
(g) Compliance with standards and policies / operating manual	Sections 5.F and 9	Items 8, 11 and 16

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
(h) Trademarks and proprietary information	Sections 6 and 7	Items 13 and 14
(i) Restrictions on products / services offered	Sections 9.C and 9.G	Items 8, 11, 12, and 16
(j) Warranty and customer service requirements	Section 9.H	Item 11
(k) Territorial development and sales quotas	Section 2	Item 1
(l) On-going product / service purchases	Sections 9.E and 9.G	Items 6 and 8
(m) Maintenance, appearance, and remodeling requirements	Sections 9.A and 9.B	Items 6, 8, 11 and 17
(n) Insurance	Section 9.I	Items 7 and 8
(o) Advertising	Section 10	Items 6, 7, 8, and 11
(p) Indemnification	Section 17.C	Item 6
(q) Owner's participation / management / staffing	Sections 1.C and 9.F	Items 11 and 15
(r) Records and reports	Section 11	Item 6
(s) Inspections and audits	Section 12	Items 6 and 11
(t) Transfer	Section 13	Item 17
(u) Renewal	Section 14	Item 17
(v) Post-termination obligations	Section 16	Item 17
(w) Non-competition covenants	Sections 8 and 16.E	Item 17
(x) Dispute resolution	Section 18	Item 17

Item 10.

FINANCING

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases, or other obligations.

Item 11.

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Assistance to Begin Operation of a Studio

Before you begin operation of your Studio, we or our designees will:

1. Review and either approve or disapprove a proposed site and Lease for your Studio. (Franchise Agreement – Section 3.A and 3.B)
2. Provide you with our then-current mandatory and suggested specifications for your Studio. (Franchise Agreement – Section 3.C)
3. Review your proposed development plans and specifications (including any revisions to such plans and specifications) for your Studio and approve or disapprove such plans and specifications. (Franchise Agreement – Section 3.C)
4. Review and either approve or disapprove your Studio to open for business and use by customers. (Franchise Agreement – Section 3.C)
5. Provide Operations Training to you (or your Managing Owner) and Operations Manager (if applicable). (Franchise Agreement – Section 5.A)
6. Provide Instructor Onboarding to up to 10 instructors. (Franchise Agreement – Section 5.B)
7. Provide on-site advice, guidance, and support for at least two days. (Franchise Agreement – Section 5.C)
8. Make our Operations Manual available to you. (Franchise Agreement – Section 5.F)
9. Provide you with a list of any approved suppliers for the purchase of equipment, furniture, fixtures, supplies, inventory, and other products and/or services for your Studio. (Franchise Agreement – Section 9.G)

Other than as described in Item 5 for our sale of certain initial inventory to you, we do not directly provide, deliver, or install any equipment, signs, fixtures, opening inventory, and supplies for our franchisees.

Assistance During the Operation of Your Studio

During your operation of your Studio, we or our designees will:

1. Provide you with additional general advice and support about your Studio operations, subject to scheduling and similar resources. (Franchise Agreement – Section 5.D and 5.E)

2. Continue to make our Operations Manual available to you. (Franchise Agreement – Section 5.F)
3. Provide Instructor Onboarding for additional instructors that you hire periodically, and/or Operations Training for additional Managing Owners or Operations Managers we approve, in each case subject to payment of the associated fees. (Franchise Agreement – Sections 5.A and 5.B)
4. Let you use our trademarks and certain copyrighted and copyrightable materials. (Franchise Agreement – Section 6)
5. We may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. (Franchise Agreement – Section 9.J)
6. Administer the Marketing Fund until such time as it may be terminated. (Franchise Agreement – Section 10.D)

Site Selection

You must select a suitable site for your Premises and obtain our approval of that site as your Premises. We will identify a site selection area in your Franchise Agreement, and unless you have our prior written approval, you will not be permitted to search for a proposed site outside of that site selection area. Neither we nor our affiliates generally own the sites for Studios and lease those sites to franchisees. We must accept the site of your Studio before you sign any Lease and before that site will be deemed your Premises under the Franchise Agreement. You must send us all of the information we require for the proposed site. We will make all determinations about whether to accept a site based on our then-current criteria, including visibility, size, layout, adjacent uses, parking, demographics, local competition, and other factors we determine periodically. We will provide notice of our decision to accept or reject a proposed site within 14 days of receiving the request. After you obtain our approval of a site for your Premises, you must execute a lease, sublease, or other document that we approve to secure its possession (the “Lease”). The Lease must contain certain provisions we require. You must obtain our approval of a site that will be the Premises of your Studio and execute the approved Lease and within 90 days after your Franchise Agreement, otherwise we may terminate your Franchise Agreement.

Opening Requirements

We estimate that you will begin operating your Studio by the earlier of: (1) 180 days after the Lease is executed, or (2) within nine months of the date you sign your Franchise Agreement. We may terminate the Franchise Agreement and retain your Initial Franchise Fee if you fail to open your Studio by the preceding deadlines. We must approve the date that you open your Studio for business (your “Opening Date”).

Operations Manual.

We will make our system standards and other suggested specifications, standards and procedures, and information for the operation of Studios available to you during the term of the Franchise Agreement, which may include one or more separate manuals, as well as electronic files and software, information available on an internet site, and other media, bulletins, and/or other written materials (collectively, the

“Operations Manual”). We may modify the Operations Manual. The current table of contents of the Operations Manual is attached as Exhibit C. There are currently 335 pages in our Operations Manual.

Advertising and Promotion.

Opening Marketing Plan.

You must conduct the opening marketing plan we specify during the three months prior to your Studio’s Opening Date and six months after the Opening Date (the “Opening Marketing Plan”). The Opening Marketing Plan may include minimum requirements for pre-opening membership sales, specifications for digital marketing campaigns, and/or requirements for customer events. In connection with the Opening Marketing Plan, you must spend at least: (i) \$2,000 per month on approved digital marketing during the three-month period prior to the Opening Date and for the six-month period after the Opening Date, and (ii) \$2,000 for an approved client appreciation event during the first 60 days after your Opening Date. The amount you spend on the Opening Marketing Plan will not count towards your Local Advertising Expenditure. You must use the media, materials, programs, and strategies we develop or approve in connection with the Opening Marketing Plan.

Marketing Fund.

We have established and will administer a marketing and brand promotion fund (the “Marketing Fund”) to administer certain advertising, marketing, and public relations programs for the “Pilates Republic®” brand and the promotion of Studios. You must contribute 2% of your Studio’s Gross Sales to the Marketing Fund at the intervals we specify (the “Marketing Fund Contribution”). We may modify the amount of the Marketing Fund Contribution periodically, with notice to you, provided that the Marketing Fund Contribution will not exceed 5% of your Studio’s Gross Sales.

The purpose of the Marketing Fund is to promote the “Pilates Republic®” brand, system, trademarks, and Studios generally, and you may not benefit in proportion to your Marketing Fund Contribution. We are not required to spend any specific amount on advertising in your geographic area. Studios operated by us and our affiliates are not required to contribute to the Marketing Fund. We expect that all franchisees will contribute to the Marketing Fund at the same rate.

We will have exclusive control over all programs and services administered by the Marketing Fund, including all creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, written materials, and electronic media; developing, implementing, and maintaining any Online Presences (as defined below) or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the “Pilates Republic®” brand, system, trademarks, and/or Studios. The Marketing Fund may pay for its administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Marketing Fund and its programs. We may also elect to use (but will not have the obligation to use) the Marketing Fund to pay for or reimburse franchisees for such costs they may incur for promoting their Studios and/or complying with updated branding guidelines.

The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement on written request, within 120 days after the end of each fiscal year, but not fewer than 30 days' from notice of such request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense. We may also administer the Marketing Fund through a separate entity, and such entity will have all of the rights and duties specified here.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Marketing Fund as we determine.

We may at any time, on 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and/or operations of the Marketing Fund for any length and terminate (and, if terminated, reinstate) the Marketing Fund and associated Marketing Fund Contributions. If we terminate the Marketing Fund, we will spend the remaining balance until such amounts are exhausted. We may elect to maintain multiple Marketing Funds, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Marketing Funds or the administration thereof, in each case provided that each such Marketing Fund will otherwise remain subject to the terms of your Franchise Agreement.

We did not have a Marketing Fund prior to the issuance date of this Disclosure Document, so no expenditures were made in our prior fiscal year. We also did not spend any amounts principally to solicit franchise sales.

Local Advertising.

You are solely responsible for conducting all local advertising for your Studio. You must advertise and market your Studio in any advertising medium we determine, using forms of advertisement we approve. You must also list your Studio with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our system standards for your advertising, including any Online Presences.

You must spend an average of \$2,000 per month to advertise and promote your Studio in a manner we approve (the "Local Advertising Expenditure"). The average monthly expenditure will be calculated annually based on the preceding 12 calendar months. We may increase the amount of your Local Advertising Expenditure periodically with notice to you, provided we will not increase such amount by more than 10% per year (on a compounding basis). We will determine what type of expenditures will count towards your Local Advertising Expenditure. At our request, you must send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures for the period we specify, including paid invoices and other records of your out-of-pocket costs.

We may require you to pay part or all of the Local Advertising Expenditure to us or our designee, a third party, or suppliers we designate to conduct marketing. If we exercise the option to require that you pay part or all of the Local Advertising Expenditure to us, we will use the amount you pay us to conduct marketing in your Studio's area. We may at any time, on one or more occasions, cease collecting all or part of the Local Advertising Expenditure or change the proportion of the Local Advertising Expenditure that you must pay us or our designees.

Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, our system standards, and any marketing and the advertising and marketing policies that we prescribe. At least 30 days before you intend to use them, you must send us all advertising, promotional, and marketing materials that we have previously not approved. If we do not approve of the materials within 14 days of our receipt of such materials, then they will be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You must pay us a fee of \$250 per occurrence (subject to change up to \$500) if you use any unauthorized or disapproved advertising, promotional, or marketing materials.

Online Presences.

We have the sole and exclusive right to sell the products sold by Studios through any website, domain name, email address, social media account, other online presence or presence on any electronic, virtual, or digital medium of any kind (“Online Presence”). Except as approved by us in writing or in the Operations Manual, you may not develop, maintain, or authorize any Online Presence that mentions your Studio, links to any Online Presence owned by us or displays any of our trademarks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Studio, you will develop and maintain such Online Presence only in accordance with our guidelines. We will own the rights to each such Online Presence. At our request, you must grant us independent access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

Advertising Cooperative.

We do not require franchisees to participate in a local or regional advertising cooperative.

Advertising Council.

We do not currently maintain an advertising council of franchisees that advise us on advertising policies.

Technology System

You must obtain and install the technology systems that we approve for Studios, which currently includes one point-of-sale terminal with studio management and scheduling software, one audio system with microphones and speakers, high-speed internet connection equipment and software, and related ancillary components. We may modify our system standards for the technology system, and you must update your technology system to comply with the modified system standards promptly after you receive notice. There are no contractual limitations on the frequency and cost of this obligation, and we are not required to reimburse you for these costs. We estimate the cost of acquiring and installing the technology system will be approximately \$4,000 to \$5,000. We estimate the ongoing cost of maintaining and upgrading the technology system to be approximately \$250 per year. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your technology system. All maintenance, repair, upgrade, and update obligations of the third-party supplier selling or licensing components of the technology system to you will be determined by your contract with that supplier. In addition to all direct out-of-pocket costs you must otherwise incur to acquire, maintain, or service your technology system, you must also pay us a technology fee of \$40 per month (subject to change by up to \$100 per year on a compounding basis).

We will have independent access to your technology system and we will have the right to collect and retain any and all data concerning your Studio. We will also have unrestricted access to and sole ownership of all email accounts or other user accounts associated with any Online Presence that we manage or maintain, and all documents, data, materials, and messages shared from or by such accounts.

Training

Operations Training.

Prior to opening your Studio, you (or if you are an entity, your Managing Owner) and your Operations Manager (if applicable) must complete our operations training (“Operations Training”). We will determine the identity and composition of the trainer(s) conducting the Operations Training and the contents of the Operations Training in our sole and absolute discretion. We will provide the Operations Training at the times and locations we determine, which may include conducting any or all of the Operations Training online or via other virtual means. We may vary the frequency and length of the Operations Training based on the experience and skill level of the individual(s) attending. Scheduling, frequency, and timing of the Operations Training is based on your and our availability, training facility availability, and the projected Opening Date for your Studio. If you (or if you are an entity, your Managing Owner) and/or your Operations Manager (if applicable) fail to complete the Operations Training to our satisfaction, we may require such person(s) to attend additional training at a time and location of our choice. If you (or if you are an entity, your Managing Owner) and/or your Operations Manager (if applicable) are unable to satisfactorily complete the Operations Training, we may terminate your Franchise Agreement. If you engage any new Operations Manager and/or your Managing Owner for any reason changes, such individuals must complete Operations Training before providing services to your Studio.

You must pay our then-current fee for Operations Training if: (1) you request, and we approve, any attendees at the Operations Training other than you (or if you are an entity, your Managing Owner) and your Operations Manager; (2) we provide the Operations Training more than once to accommodate your attendees; and/or (3) we provide the Operations Training to any new Operations Manager(s) or any new Managing Owner during the franchise term. Our fee for Operations Training is currently \$1,500 per training (subject to change up to 10% per year on a compounding basis), plus reimbursement of our out-of-pocket costs.

OPERATIONS TRAINING

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION FOR ON SITE TRAINING
Pilates Republic Philosophy & Goals	2	0	Del Mar, California, at another training facility we designate, or online/remote
Branding	2	0	Del Mar, California, at another training facility we designate, or online/remote

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION FOR ON SITE TRAINING
Marketing Overview	1	0	Del Mar, California, at another training facility we designate, or online/remote
Traditional Marketing	1	0	Del Mar, California, at another training facility we designate, or online/remote
Digital Marketing	1	0	Del Mar, California, at another training facility we designate, or online/remote
Community Marketing	2	0	Del Mar, California, at another training facility we designate, or online/remote
Customer Experience	3	0	Del Mar, California, at another training facility we designate, or online/remote
Class Principles	2	0	Del Mar, California, at another training facility we designate, or online/remote
Staffing & HR Support	2	0	Del Mar, California, at another training facility we designate, or online/remote
Operations and Sales	4	0	Del Mar, California, at another training facility we designate, or online/remote
Studio Management	4	0	Del Mar, California, at another training facility we designate, or online/remote
Finance	1	0	Del Mar, California, at another training facility we designate, or online/remote
Training	2	0	Del Mar, California, at another training facility we designate, or online/remote
Goal Setting & Strategic Planning	2	0	Del Mar, California, at another training facility we designate, or online/remote

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION FOR ON SITE TRAINING
Member Retention & Referrals	1	0	Del Mar, California, at another training facility we designate, or online/remote
Time Management	1	0	Del Mar, California, at another training facility we designate, or online/remote
Instructor Team Management	2	0	Del Mar, California, at another training facility we designate, or online/remote
TOTAL	33	0	

Operations Training is conducted and supervised by Courtney Miller, who has over 15 years of experience in the subjects taught and has over 7 years of experience with us and our affiliates.

Instructor Onboarding and Certification.

All instructors for your Studio must complete our instructor onboarding training program prior to providing classes, instruction, and/or services at your Studio (“Instructor Onboarding”). At least six instructors must complete the Instructor Onboarding to our satisfaction prior to your Opening Date. We will provide the Instructor Onboarding to up to ten initial instructors prior to your Opening Date at no cost, provided they all attend at the same time. After your Opening Date, we may approve you to offer the Instructor Onboarding to your instructors if you satisfy our minimum criteria and we affirmatively notify you that you are approved to offer such Instructor Onboarding. We may revoke your right to provide Instructor Onboarding at any time during if you fail to satisfy our criteria. We estimate that Instructor Onboarding will include approximately 35 hours of on-site training at your Studio. You must pay our then-current fee for Instructor Onboarding if: (1) we provide the Instructor Onboarding to more than ten initial instructors; (2) we provide any portion of the Instructor Onboarding more than once to accommodate your attendees; and/or (3) we provide the Instructor Onboarding to any new instructors you hire. Our fee for Instructor Onboarding is currently \$2,000 per training (subject to change up to 10% per year on a compounding basis), plus reimbursement of our out-of-pocket costs.

All instructors for your Studio must also be certified Pilates instructors, from a certification program that meets our minimum standards. For those instructors who have not yet obtained an approved Pilates instructor certification, you may enroll your instructors in our proprietary certification training program (“Instructor Certification”). You or the instructor must pay our then-current fee for all Instructor Certification (currently, \$4,500 per person, subject to change).

We will determine the identity and composition of the trainer(s) conducting Instructor Onboarding and Instructor Certification and the contents of all such training. While the Instructor Onboarding is currently provided in person, we will provide both Instructor Onboarding and Instructor Certification at the times and locations we determine, which may include virtual means. We will also determine the length and

content of Instructor Onboarding and Instructor Certification. We may vary Instructor Onboarding and Instructor Certification based on the experience and skill level of the individual(s) attending. Scheduling, frequency, and timing of both Instructor Onboarding and Instructor Certification is based on your and our availability, training facility availability, and the projected Opening Date for your Studio.

Continuing Education Training.

Throughout the term of the Franchise Agreement, we may require that you (or your Managing Owner), your Operations Manager, and/or your instructors participate in additional, supplemental, and continuing education and training programs designated by us (“CE”). You (or your Managing Owner), your Operations Manager, and all of your instructors must meet our then-current standards for all CE, including that we may require each person to complete a minimum number of CE hours per year, complete specific required CE programs, and/or satisfy any other requirements that we designate. You must ensure that no instructors teach at your Studio if they have failed to satisfy our minimum requirements for CE. We may modify our CE requirements and/or the acceptable methods for satisfying such CE requirements, which may include online training, regional meetings or seminars, classroom-based instruction, or sessions held at our annual franchise conference. You must pay us and/or the third parties we designate for all CE costs and program fees. If we provide such CE, our program fees will be \$500 per attendee per day if CE is offered at one of our Studios, or \$1,000 per day per attendee, plus our out-of-pocket costs and expenses, if CE is offered at your Studio (the per day fees are subject to change up to 10% per year on a compounding basis). For any CE programs provided by third parties, the standard rates charged by such third parties will apply. If any individual fails to complete any CE requirements, you must pay \$1,000 per day for remedial CE training (subject to change up to 10% per year on a compounding basis), as well as all associated trainer expenses, including travel, lodging, and meals. Remedial CE may be provided in person and/or by any other means, including virtually. You are responsible for all expenses incurred by you or your personnel in connection with such training, including travel, lodging, meals, and compensation.

Additional Guidance and Training.

Subject to limitations on scheduling, availability, and similar resources, we will provide you advice during regarding your Studio’s operation, including advice regarding: (1) standards, specifications, and operating procedures and methods that Studios use, including, facility appearance, guest service procedures, and quality control; (2) equipment and facility maintenance; and (3) advertising, marketing, and branding strategies. We may provide telephone, virtually, in writing, in our Operations Manual, or in-person at our offices or your Studio, as we determine.

You may periodically request additional training in the operation of a Studio. If we agree to provide you additional training, we will determine the duration, location, and contents of this additional training. We may also require you (or your Managing Owner), your Operations Manager, and/or any of your instructors attend additional training at any time if we determine that your Studio and/or such person(s) are not operating in accordance with our system standards. We may charge you our additional training fee of \$150 per hour for any and all additional training provided to you for any reason (subject to change up to 10% per year on a compounding basis), plus reimbursement of our out-of-pocket costs and expenses.

We may also require that you (or your Managing Owner) and/or your Operations Manager attend various franchisee conferences, meetings, and locations designated by us, which may be virtual. If we host a franchise conference, you must pay us a conference fee of \$500 per attendee. This fee is subject to change

up to 10% per year on a compounding basis. You must pay this fee for the minimum attendees we specify regardless of whether such person(s) attend the conference.

Training Costs and Expenses.

You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your personnel incur during any and all meetings and/or training courses and programs of any kind, including the Operations Training. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct training, including food, lodging and transportation.

On-Site Opening Support.

We will provide on-site advice, guidance, and support for at least two days in connection with the opening of your Studio. We will determine the identity and composition of the training team that we send, and it may be comprised of only one person. For any on-site assistance or support that we provide you, you must reimburse our and our representatives' direct costs (including travel, lodging, meals, and wages) for providing such on-site support and assistance.

Item 12.

TERRITORY

As long as you are in compliance with your Franchise Agreement and all other agreements with us and our affiliates, subject to the exclusions described below, we will not operate or grant others the right to operate a Studio in the geographic area designated in your Franchise Agreement (the "Territory"). If we have not specified your Territory when you execute your Franchise Agreement, we will determine your Territory when the Premises is approved. The designation of the Territory by us depends on various market conditions around the proposed Premises, including density of population, number of competitors in the market, site availability, growth potential and geographic barriers. The boundaries of your Territory will generally be an area with a population of 30,000 to 50,000, as determined by us using third-party population and demographic sources we select. The size and shape of your Territory will depend on the specifications and demographics of the area surrounding your Studio. The boundaries of your Territory may be described in terms of streets and highways, zip code boundaries, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. If we identify a site selection area in your Franchise Agreement, that area is strictly to limit your site selection activities. You will receive no territorial protection of any kind in the site selection area, or any other area, other than your Territory.

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Other than the protections in your Territory described above, you have no territorial protection of any kind and we and our affiliates retain all rights to conduct business activities of any kind in any location, including that we and our affiliates may take any of the following actions in your Territory: (1) establish and operate additional businesses under different trademarks or trade names, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Studios; (2) establish, and allow others to establish, businesses and distribution channels other than Studios (including selling products at retail or through any Online Presence and/or offering classes, training, or digital content through any Online Presence or other

channel), regardless of the nature or location of the business or the customers of such business (including, members of your Studio), including businesses that operate under the “Pilates Republic®” brand, system, or trademarks, and/or that sell products or services that are similar to, the same, or competitive with Studios; (3) establish and operate, and allow others to establish and operate, any Studio or other business at or through any nontraditional venues, including those offering and selling any of the products or services that are similar to, the same as, or competitive with those products or services offered by Studios, and/or using the “Pilates Republic®” brand, system, or trademarks; and/or (4) be acquired by or acquire any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Studios and in the event of such an acquisition, and continue to establish and operate, and authorize others to establish and operate, such businesses.

We may offer and sell and grant others the right to offer and sell goods and services to customers located anywhere, including in your Territory. There are no limitations on your ability to solicit customers in any location. You may not engage in any promotional or similar activities through any Online Presence, and/or sell any product or service through any alternative channel of distribution (including selling products at retail or through the Internet, catalog sales, telemarketing, direct marketing, e-commerce, product lines in other businesses, or through any other Online Presence) without our prior approval. We are not required to pay you if we exercise any of the rights specified in this Item 12.

You may only operate your Studio at the Premises and you may not use your Premises for any operations other than the operation of your Studio. You may not relocate your Studio to a location other than the Premises without our approval. Our approval will depend on our then-current criteria for relocations, including the prospects of obtaining a favorable site, the real estate market in your area, your compliance with system standards, the financial performance of your Studio, and other factors we determine.

Other than your and your affiliates’ full compliance with your Franchise Agreement and any other agreement with us and our affiliates, continuation of your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other contingency.

You have no right of first refusal and we do not grant any rights to obtain additional franchises. If you wish to obtain an additional franchise, you must enter into a separate Franchise Agreement.

Item 13.

TRADEMARKS

Our Parent owns the following trademarks, which have been registered on the Principal Register of the U.S. Patent and Trademark Office:

Trademark	Reg. Number	Reg. Date
PILATES REPUBLIC	6,024,777	March 31, 2020
PILATES REPUBLIC	6,356,364	May 18, 2021

All required affidavits of use will be filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark

administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal trademarks.

We license the Marks from our Parent, which owns all rights to the Marks, pursuant to a Trademark License Agreement dated December 1, 2025 (the “License Agreement”). The term of the License Agreement will continue until terminated. The License Agreement may be terminated (resulting in the loss of our right to use and to sublicense the use of the Marks to grant franchises) by Parent if we breach the License Agreement and fail to cure such breach or if we cease to be affiliated with Parent. The License Agreement may be terminated by us at any time without cause upon notice to Parent. All rights in and goodwill from the use of the Marks accrue to our Parent. Except as described above, no agreement significantly limits our rights to use or sublicense the trademarks in a manner material to the franchise.

Your Use of the Trademarks

If we decide to modify, substitute, add, or discontinue the use of any trademarks, we may at any time require you to modify, substitute, add, or discontinue using any trademark and/or use one or more additional or substitute trademarks. You must replace the trademarks at your Studio with the modified, additional, or substitute trademarks we specify and comply with all other directions we give regarding the trademarks at your Studio within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes or promoting a modified or substitute trademark, or for any loss of revenue due to any modified or discontinued trademark.

Infringement and Claims

We know of no superior rights or infringing uses that could materially affect your use of the “Pilates Republic®” name or trademarks in any state. You must notify us immediately of any apparent infringement or challenge to your use of any of our trademarks or of any person’s claim of any rights in any of our trademarks. We are not required to take any affirmative action when notified of these uses or claims. We may take the action we deem appropriate (including no action) and exclusively control any litigation or proceeding from the infringement, challenge, or claim or otherwise concerning of our trademarks. We are not required to protect you against claims of infringement or unfair competition, and/or take any affirmative action to protect your right to use our trademarks. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are named in an administrative or judicial proceeding involving our trademarks, or if the proceeding is resolved unfavorably to you.

Item 14.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise. We and/or our affiliates claim copyrights in the Operations Manual, all content on our Online Presence, advertising and marketing materials, any or all of the design elements contained within our trademarks, and other advertising or marketing materials used in operating the Studios and/or our franchise system. We have not registered these copyrights with the United States Copyright Office. You may use the copyrighted works only as we specify while operating your Studio (and must stop using them if we so direct you). There currently are no effective adverse determinations regarding the copyrighted materials. No agreement other than the License Agreement limits our right to use or allow

others to use the Confidential Information (defined below) or copyrighted works. We know of no infringing uses of our copyrighted works which could materially affect your using the copyrighted works. We need not protect or defend our copyrighted works. We may control any action involving the copyrighted works, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving the copyrighted works.

In connection with your franchise, you and your owners and personnel may be provided and/or have access to non-public information about our franchise system and the operation of Studios, including information arising from your Studio (the “Confidential Information”), including: (1) training programs and operations materials (including the Operations Manual); (2) our system standards; (3) market research and marketing strategies (including expansion strategies and targeted demographics); (4) specifications for, suppliers of, and methods of ordering, products and services; (5) any software or technology, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (6) the operating results and financial performance of Studios, including your Studio; (7) information generated by, or used or developed in, any Studio’s operation, including information relating to customers such as names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographics, and related information; (8) any training curriculums, techniques, class structure, digital content, and/or other Pilates and wellness routines; and (9) any other information designated as confidential or proprietary by us. All Confidential Information is exclusively owned by us (other than personally identifiable information relating to your employees and personnel, and/or certain other data that we do not have access to or are otherwise designated or restricted by us).

You must and must cause your representatives to: (1) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of the Studio in accordance with the Franchise Agreement, and not for any other purpose of any kind; (2) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and system standards we establish, and our and our representative’s instructions; (3) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating the Studio in accordance with the Franchise Agreement; (4) not make unauthorized copies of any of our Confidential Information; (5) adopt and maintain administrative, physical, and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information; and (6) at our request, destroy or return any of the Confidential Information.

Item 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an entity, you must identify one of your owners who is a natural person with at least a 51% ownership interest and voting power in you (your “Managing Owner”). We must approve the person that will act as your Managing Owner. If you do not (or if you are conducting business as an entity, your Managing Owner does not) wish to supervise the day-to-day operation of your Studio on a full-time basis,

then you must designate a person that we approve to supervise the day-to-day operation of your Studio on a full-time basis (your “Operations Manager”). We must approve your Operations Manager before he or she begins to provide services at your Studio. We may establish conditions for approving any such Operations Manager, which may include the completion of training, confirmation that he or she will have no competitive businesses activities, and/or execution of a non-disclosure agreement or other covenants we require. During any period in which no Operations Manager is approved (including because the Operations Manager resigns or otherwise indicates to us or you that he or she wishes to cease acting as your Operations Manager, or we disapprove of your Operations Manager for any reason), you (or if you are conducting business as an entity, your Managing Owner) must supervise the day-to-day operations of your Studio on a full-time basis. Your Studio must always be under the direct on-site supervision of one or more persons who we have approved and who have completed Operations Training and work at your Studio on a full-time basis.

If you operate through a business entity, your direct and indirect owners must personally guarantee your obligations under the Franchise Agreement and must agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Our current form of guaranty is attached as Exhibit C to the Franchise Agreement. In addition, if these owners are married, their spouse may have to consent in writing to the signing of the guaranty.

We may require that any employee, agent, or independent contractor that you hire and that will have access to Confidential Information execute a non-disclosure agreement that we approve or designate.

Item 16.

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Studio the products or services that we specify. You may offer and sell such approved products or services only in the manner and at the locations we have prescribed and may not offer or sell any products or services through alternative channels of distribution (including, the Internet or retail stores) without our approval. You may not offer or sell any products or services we have not approved at any location. If we at any time disapprove a product or service, you must immediately discontinue offering or selling it at your Studio. We may authorize one or more Studios to offer additional, different, or modified products or services, and we are under no obligation to authorize every Studio to offer the same products or services. We may condition our approval for any such products or services on our then-current criteria, and/or additional terms and conditions that we establish.

If we determine that you fail to meet our system standards for offering or selling any products or services, we may permanently or temporarily terminate your right to offer or sell such products or services (and without waiving our right to terminate your Franchise Agreement for a default).

We may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. If we impose a maximum price for any product or service, you may not charge more for the product or service than the maximum price we impose. If we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must

comply with our advertising policies, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price.

We may authorize or require you to sell memberships, class packages, and/or other service packages or offerings for your Studio. All memberships, class packages, and/or other service packages or offerings must be evidenced by a written agreement with the customer that we have approved of and must not be for a term that extends beyond the expiration of the Franchise Agreement. You must comply with the system standards we periodically establish regarding memberships, class packages, and/or other service packages or offerings, including relating to types and terms, transfer and reciprocity between Studios, group accounts, discounts, and otherwise. If we are contacted by a customer of your Studio who wishes to lodge a complaint, we may address the customer’s complaint, which may include refunding money to the complaining customer, in which case you must reimburse us for these amounts. We may modify the types and terms of memberships, class packages, and/or other service packages or offerings, and/or suspend, revoke, or terminate your right to offer certain types of memberships, class packages, and/or other service packages or offerings to customers of your Studio.

Item 17.

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of 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) Length of the franchise term	Section 1.B	The Term of the Franchise Agreement is 10 years.
(b) Renewal or extension of the term	Section 14.A	If you satisfy the conditions in the Franchise Agreement, you may acquire two renewal franchise terms of five years each.
(c) Requirements for franchisee to renew or extend	Sections 9.A and 14	The following conditions must be met to qualify for a renewal: (1) you give us written notice no more than 240 days and no less than 180 days before the expiration; (2) you have taken all steps identified to bring your Studio into compliance with system standards; (3) you have complied with the Franchise Agreement and all system standards; (4) you must pay us a renewal franchise fee of \$10,000; (5) you must meet our requirements for approval of new franchisees; (6) you must have obtained, maintained, and be in good standing with all necessary and applicable licenses and permits required for the operation of your Studio; (7) you and you owners must execute our then-current form of franchise agreement and related documents, the terms of which may be materially different from your current Franchise Agreement; (8) you and your owners must have executed and delivered to us a general release (subject to applicable law); (9)

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		you must remain in compliance with all provisions of the Franchise Agreement until the execution of the renewal franchise agreement; and (10) we must be offering franchises in your geographic market.
(d) Termination by franchisee	Section 15.A	You may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement and we materially breach the agreement and do not cure the default within 30 days after notice from you, or, if we cannot correct the failure within 30 days, we fail to give you reasonable evidence of our effort to correct the failure within 30 days after your notice (subject to state law).
(e) Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement without cause.
(f) Termination by franchisor with cause	Section 15.B	We may terminate the Franchise Agreement only if you or your owners commit one of several violations.
(g) “Cause” defined — curable defaults	Section 15.B	Curable defaults under the Franchise Agreement include: you have 10 days to pay past due amounts owed to us; applicable cure period to pay past due amounts owed third-parties; 72 hours to cure health and safety violations; 10 days to cure any insurance requirements; and 30 days to cure a breach of any other provision or obligation under the Franchise Agreement or any agreement between you (and your affiliates) and us (and our affiliates) (other than those specified as having a shorter cure period or no period).
(h) “Cause” defined — non-curable defaults	Section 15.B	Non-curable defaults under the Franchise Agreement include: material misrepresentations or omissions; failure to satisfy all development obligations; failure to obtain lawful possession of a Premises we have approved, or failure to sign Lease; abandonment; unapproved transfers; failure to complete Operations Training; conviction or pleading guilty to crime; fail to maintain insurance requirements; default or termination of Lease or loss of right to occupy the Premises; unauthorized use or disclosure of Confidential Information; violation of restrictive covenants; immediate health or safety risks; failure to correctly state your Studio’s Gross Sales three or more times or by more than 3% on any one occasion; bankruptcy or insolvency; terrorist activities; breach of agreement on two or more occasions within 12 month period; and breach has not been cured within 30 days after written notice from us.
(i) Franchisee’s obligations on	Section 16	Under the Franchise Agreement, you must: close the Studio for business; cease using the trademarks; cease identifying yourself as a franchise owner; remove all materials bearing the trademarks and remove all proprietary trade dress to de-identify the Premises; cease

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
termination/non-renewal		using Contact Information and Online Presences and transfer controls to us; return or destroy all Confidential Information (including the Operations Manual and any and all customer data); turn over to us copies of all signed liability releases and waivers, membership agreements and service terms with customers, and all information about your members; and comply with all other system standards and applicable laws for closure and de-identification. You must also pay us Lost Revenue Damages if we terminate for your breach, or you terminate other than as permitted under the Franchise Agreement.
(j) Assignment of contract by franchisor	Section 13.A	There is no restriction on our right to assign.
(k) “Transfer” by franchisee — defined	Section 13.B	A transfer includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law, or the transfer, surrender, or loss of the possession, control, or management of your Studio.
(l) Franchisor approval of transfer by franchisee	Sections 13.B and 13.C	You may not transfer the Franchise Agreement or the right to develop a Studio prior to your Opening Date. Otherwise, you may not make or initiate a transfer without our prior written approval, in accordance with the standards provided in the Franchise Agreement
(m) Conditions for franchisor approval of transfer	Sections 13.B and 13.C	You submit an application for transfer and provide all information we request about transferee; transferee meets our standards for franchise owners; you provide us executed versions of all agreements with transferee; you execute all documents we require, including a general release of claims against us and our affiliates; all monetary obligations are paid; you and your owners are not in default of any provisions of the Franchise Agreement or any other agreement with us; transferee and its Managing Owner and/or Operations Manager complete the Operations Training; all necessary actions under the Lease are completed; transferee signs our then-current franchise agreement and other documents, provisions of which may differ materially from those contained in the Franchise Agreement; transferee or its owners sign our then-current form of personal guaranty; you or the transferee pays a transfer fee; we determine that the financial terms of the transfer will not burden your Studio; transferee financing is subordinate to the Franchise Agreement; you correct existing deficiencies in your Studio and/or the transferee agrees to upgrade or remodel your Studio for which we may require transferee to escrow an amount we approve for the payment of this update, or remodel; and

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		you provide evidence that all other appropriate measures have been taken to transfer operations of the Studio to transferee.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 13.F	If you receive an offer to sell or transfer an interest, direct or indirect, in the Franchise Agreement, your Studio, substantially all of the assets of your Studio, or any direct or indirect ownership interest in you, we have a right of first refusal to purchase such interest offered for the price and on the terms and conditions contained in the offer with certain provisions; if this right is not exercised within 30 days of our receipt of such intention to sell or transfer, then you may sell or transfer in accordance with items (k) to (m) in this Item 17.
(o) Franchisor's option to purchase franchisee's business	Section 16.D	We have the option to purchase any or all of the assets of your Studio, including your Premises and Pilates reformers, upon the termination or expiration of the Franchise Agreement. The purchase price for assets other than reformers will be fair market value, excluding value attributable to the Marks and goodwill. The purchase price for reformers will be: (i) \$5,000 per reformer, if the purchase occurs fewer than 2 years after the Opening Date; (ii) \$2,000 per reformer, if the purchase occurs 2 to 4 after the Opening Date; and (iii) \$500 per reformer, if the purchase occurs 4 or more years after the Opening Date. We may exercise this option by giving you written notice within 30 days after termination or expiration.
(p) Death or disability of franchisee	Section 13.D	Upon death or disability of you or your Managing Owner, such person's executor, administrator, conservator, guardian, or other representative must transfer the ownership interest within nine months of the date of death or disability. Such transfer upon death or disability of a franchisee is a transfer requiring our consent. See (k) in this Item 17 above. We may operate the Studio on an interim basis (or appoint a third party to operate the Studio on an interim basis).
(q) Non-competition covenants during the term of the franchise	Section 8	Neither you, nor any of your owners, may have any involvement, directly or indirectly, in a "Competitive Business" during the term of your Franchise Agreement. "Competitive Business" means any business operating or granting franchises or licenses to others to operate any fitness business that: (1) features Pilates instruction or training and/or related wellness instruction, classes, and private sessions and services, and/or (2) any other products or services substantially similar to those offered by Studios.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 16.E	For two years beginning on the effective date of termination expiration of the Franchise Agreement (or after transfers, for the transferor) you must not and must cause each of your respective spouses, immediate family members, affiliates, successors, and assigns not to have any direct or indirect interest as an owner (whether

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating (1) at the Premises or within a 10-mile radius of the Premises, or (2) within a 10-mile radius of any other Studio operated by us, our affiliates, or any franchisee.
(s) Modification of the agreement	Section 18.G	Subject to our right to modify the Operations Manual, the Franchise Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers.
(t) Integration/merger clause	Section 19.E	Only the written terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.
(u) Dispute resolution by arbitration or mediation	Section 18.B	We and you must arbitrate all disputes at a location in or within 50 miles of our principal place of business (currently San Diego, California) (subject to state law).
(v) Choice of forum	Section 18.D	You must sue us in the state or federal court closest to our then-current principal place of business (currently, San Diego, California) (subject to state law, if applicable).
(w) Choice of law	Section 18.C	Except for the Federal Arbitration Act and other federal law, the law of the State of Delaware governs (subject to state law).

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.

As of October 31, 2025, four corporate Studios were operated by our Parent. The data provided below is historical sales of three of the four such corporate Studios (the “Included Studios”) for the period from November 1, 2023 through October 31, 2025. The remaining corporate Studio is excluded from this data because it has a materially different operational footprint, including materially fewer reformers, and is therefore not representative of a Studio that a franchisee would acquire and operate.

For the purposes of this Item 19, “Gross Sales” means all revenue or other income or consideration that you derive, directly or indirectly, from operating the applicable Studio, including, all revenue, income, or other consideration received at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales does not include deductions for uncollected or uncollectible accounts and no allowances for bad debt. Gross Sales includes all payments associated with online group-bought deals, gift certificate and/or gift card programs in accordance with our then-current guidelines. Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from your customers and paid to the appropriate taxing authority.

Year-Over-Year Gross Sales per Included Studio

The table below discloses the year-over-year Gross Sales for each Included Studio, comparing the period of November 1, 2023 through October 31, 2024 to period of November 1, 2024 through October 31, 2025.

	Opening Month	Gross Sales: November 1, 2023 through October 31, 2024	Gross Sales: November 1, 2024 through October 31, 2025	Percentage Change
Studio 1	October 2023	\$823,533.74	\$1,144,697.64	+39%
Studio 2	February 2023	\$1,059,759.91	\$1,215,836.77	+15%
Studio 3	May 2022	\$983,117.25	\$970,087.24	-1%

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representations, we do 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 Courtney Miller, Pilates Republic Franchising LLC, 2654 Del Mar Heights Road, San Diego, California 92014, email: franchise@pilatesrepublic.com, phone number: (760) 891-5426, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20.
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 to 2024

Outlet Type	Year	Studios at the Start of the Year	Studios at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Affiliate-Owned or Managed	2022	1	2	+1
	2023	2	4	+2
	2024	4	4	0
Total	2022	1	2	+1
	2023	2	2	+2
	2024	4	4	0

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2022 to 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Total	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

**TABLE NO. 4
STATUS OF AFFILIATE-OWNED OUTLETS
FOR YEARS 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2022	1	1	0	0	0	2
	2023	2	2	0	0	0	4
	2024	4	0	0	0	0	4
Totals	2022	1	1	0	0	0	2
	2023	2	2	0	0	0	4
	2024	4	0	0	0	0	4

**TABLE NO. 5
PROJECTED OPENINGS FOR 2025**

State	Franchise Agreements Signed But Not Opened	Projected New Franchised Openings	Projected New Company-Owned Openings
All States	0	0	0
Totals	0	0	0

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

We have not sold any franchises as of the date of this Disclosure Document, therefore during the last 3 fiscal years, no franchisee has signed confidentiality clauses that restrict it from discussing with you their experiences as a franchisee in our franchised system.

There are no trademark-specific franchisee organizations representing Pilates Republic franchisees.

Item 21.

FINANCIAL STATEMENTS

We have not been in business for three years or more, and therefore, we are unable to provide three years of financial statements. Attached to this Disclosure Document as Exhibit E are our: (i) audited balance sheets as of April 10, 2025 and December 31, 2024, and the related statements of operations and member's equity and cash flows for the periods from January 1, 2025 to April 10, 2025 and August 15, 2024 (inception) to December 31, 2024; and (ii) our unaudited interim balance sheet as of October 31, 2025 and the profit and loss statement for the ten-month period ended October 31, 2025.

Our fiscal year end is December 31 each year.

Item 22.

CONTRACTS

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

- Exhibit B – Franchise Agreement
- Exhibit F – Sample General Release

Item 23.

RECEIPTS

Exhibit H contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of these states.

CALIFORNIA

Department of Financial Protection & Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

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

Sacramento

Commissioner of Financial Protection & Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

Commissioner of Financial Protection & Innovation
1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

Commissioner of Financial Protection & Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2727

ILLINOIS

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

INDIANA

(state administrator)

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

(agent for service of process)

Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6300

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations, Securities, and Commercial
Licensing Bureau
P.O. Box 30018
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
(212) 416-8222

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-2910

OREGON

Department of Business Services
Division of Financial Regulation
350 Winter Street, NE, Room 410
Salem, Oregon 97310-3881
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Washington Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT B
FRANCHISE AGREEMENT

PILATES REPUBLIC FRANCHISING LLC
FRANCHISE AGREEMENT

Franchisee: _____

Studio Number: _____

Studio Address: _____

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EXHIBITS

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EXHIBIT C	Guaranty and Assumption of Obligations
EXHIBIT D	Rider to Lease Agreement
EXHIBIT E	Representations Statement
EXHIBIT F	State-Specific Riders

FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (this “**Agreement**”) is made and entered into by and between **PILATES REPUBLIC FRANCHISING LLC**, a California limited liability company, with its principal business address at 2654 Del Mar Heights Road, San Diego, California 92014 (“**we**,” “**us**,” or “**our**”), and _____, a _____, whose principal business address is _____ (“**you**” or “**your**”) as of the date signed by us and set forth opposite our signature on this Agreement (the “**Effective Date**”).

1. GRANT OF FRANCHISE.

A. **BACKGROUND.**

We and our affiliates have developed, and will continue to develop and modify, a franchise system for fitness studios that offer Pilates and other exercise programs, wellness classes, instruction, private sessions, and related services through live instructional group and individual classes, including reformer Pilates and other Pilates apparatuses, strength training, stretching exercises, an instructor training program, and other products and services that we authorize (each a “**Studio**”). Studios will be identified by certain distinctive and proprietary trademarks, service marks, and other commercial symbols (collectively, the “**Marks**”), all of which we may improve, further develop, or otherwise modify from time to time.

Studios will operate using proprietary and distinctive business system, formats, methods, equipment, procedures, design, standards, and specifications that we have developed and will continue to develop and modify, which constitute our intellectual property, and which include certain trade secrets, copyrights, confidential and proprietary information, designated training and exercise methods and know-how, and specifications for fitness equipment, furniture, fixtures, marketing, advertising, sales promotions, cost controls, accounting and reporting procedures, and personnel management systems (the “**System**”).

You have applied and been approved for a franchise to own and operate a Studio and have provided us with certain information in support of your application.

B. **YOUR FRANCHISE RIGHTS.**

Subject to this Agreement, we grant you a franchise to operate a Studio (“**your Studio**”) at the specific address and location identified on Exhibit B (the “**Premises**”), and to use the System and the Marks in operating the Studio. If the Premises have not been determined as of the Effective Date, the Premises shall be the site selected in accordance with Section 3.A. The term of this Agreement begins on the Effective Date and expires ten (10) years from that date, unless sooner terminated as provided herein (the “**Term**”). You agree at all times to faithfully, honestly, and diligently perform your obligations under this Agreement and to use your best efforts to operate and promote your Studio. You may use the Premises only for your Studio. You agree not to conduct the business of your Studio at any site other than the Premises.

C. **BUSINESS ENTITY.**

If you are a corporation, limited liability company, or general or limited partnership (collectively, an “**Entity**”), you agree and represent that Exhibit A to this Agreement completely and accurately describes the Entity as of the Effective Date, including all information about the owners, managers, directors, and authorized officers of such Entity. You further represent and warrant that (i) such Entity is duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation; (ii) neither such Entity nor any of its direct or indirect owners is currently a party to any pending litigation, and to the best of your and your owners’ knowledge, no such litigation is anticipated or threatened against such Entity or any of its direct or indirect owners; and (iii) neither such Entity nor any of its direct

or indirect owners is currently a party to any bankruptcy or insolvency proceedings and/or subject to any receivership, and neither such Entity nor any of its direct or indirect owners has been involved in bankruptcy or insolvency proceeding or receivership within the past five years.

During the Term, you acknowledge and agree that your organizational documents, operating agreement, or partnership agreement, as applicable, must at all times state that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions.

Each of your owners must execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us, and for any such owner that is married, such owners spouse must consent to such guaranty. Our current form of guaranty is attached as Exhibit C.

You must identify one of your owners on Exhibit A who is a natural person with at least a fifty-one percent (51%) ownership interest and voting power in you and who we have approved (the "**Managing Owner**"). We reserve the right to approve the Managing Owner. In the event that your Managing Owner ceases to own at least a fifty-one percent (51%) ownership interest and voting interest in you, you must identify a new Managing Owner for our review and approval. You represent and agree that the Managing Owner is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Agreement and any decision made by the Managing Owner will be final and binding upon you. We will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other party, and we will not be held liable for any actions based on any decision or actions of the Managing Owner.

Your Studio will be the only business you operate through that legal Entity unless otherwise approved by us.

2. **TERRITORY.**

A. **YOUR TERRITORY.**

Subject to your compliance with the terms of this Agreement and our reservation of rights under Section 2.B below, we will not, and we will not authorize any other person to, operate a Studio within the geographic area identified on Exhibit B (the "**Territory**"). If you have not selected a site for your Studio as of the Effective Date, we reserve the right to define your Territory at the time the Premises are identified and approved by us. If no Territory is indicated on Exhibit B, then you have not been awarded a Territory.

B. **TERRITORIAL RIGHTS WE RESERVE.**

Except as expressly limited by Section 2.A, you acknowledge and agree that we and our affiliates retain all rights with respect to the placement of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities, including the right to:

(1) establish and operate, and allow others to establish and operate, other Studios using the Marks and the System, at any location outside the Territory on such terms and conditions we deem appropriate;

(2) establish and operate additional concepts or businesses anywhere, including in the Territory, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Studios, under trade names, trademarks, service marks, and commercial symbols different from the Marks;

(3) establish, and allow others to establish, businesses and distribution channels other than Studios (including selling products at retail or through any Online Presence, as defined in Section 6.B, and/or offering classes, training, or digital content through any Online Presence or other channel), wherever located or operating and regardless of the nature or location of the business or the customers of such business (including, members of your Studio), including businesses that operate under trade names, trademarks, service marks, or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Studios customarily sell;

(4) establish and operate, and allow others to establish and operate, any Studio or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same as, or competitive with those products or services offered by Studios, at or through any nontraditional venues in any location;

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Studios, in any location; and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, in any location; and

(6) engage in all other activities not expressly prohibited by this Agreement.

3. **SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING.**

A. **SITE SELECTION.**

You must operate your Studio solely at the Premises that you have selected and we have approved. You must use the Premises solely to operate your Studio. If the location for the Premises is not specified on Exhibit B as of the Effective Date, then you will submit to us a complete report for a site you propose for your Studio, and which you reasonably believe to conform to certain minimum site-selection criteria we establish from time to time. Unless you have our prior written approval to search for a proposed site outside of the site selection area designated on Exhibit B (the “**Site Selection Area**”), all site reports that you submit to us must be for a site within your Site Selection Area. You acknowledge and agree that you will receive no territorial protection of any kind in the Site Selection Area, or any other geographic area, other than your Territory. You agree to send us all of the information we require for the proposed site, including a description of the proposed site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We have the right to accept or not accept all proposed sites in our sole discretion. Upon our approval of a site, and after you secure the site, we may insert its address on the cover page of this Agreement and into Exhibit B (which will constitute a ministerial task and not an amendment to this Agreement) and it will be the Premises.

You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises or regarding the Site Selection Area, such recommendation or information is not a representation or warranty of any kind, express or implied, of the site’s or area’s suitability for a Studio or any other purpose. Our recommendation indicates only that we believe that the site and area meet our then acceptable criteria. Applying criteria that have appeared effective with other sites and areas might not accurately reflect the potential for all sites and areas, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site or area. The uncertainty and variability of these criteria are beyond our control, and we are not responsible if a site and location we recommend fails to meet your expectations. You acknowledge and agree that your acceptance of a site is based on your own independent investigation of the site’s suitability for a Studio.

B. LEASE OF SITE.

After you obtain our acceptance of a site, you must execute a lease, sublease, or other document that we approve to secure its possession (the “**Lease**”). The Lease must contain certain provisions we require, including collateral assignment of lease, pursuant to the form of lease rider attached as Exhibit D, which must be signed by you and the landlord. You must deliver to us a fully executed copy of your Lease within 10 days after its execution. You agree to provide us information and documents we require to approve the Lease, and you must obtain our written approval of your Studio’s proposed site for the Premises and Lease and execute the approved Lease for the Premises no later than 90 days after the Effective Date. You may not relocate your Studio to a location other than the Premises without our approval.

You acknowledge and agree that you have the sole responsibility to negotiate and execute your Lease. If we or our affiliates provide you a form of Lease to execute, or any information, recommendations, or assistance in negotiating or executing a Lease, it is not a representation by us or our affiliates of any kind (express, implied, or collateral) that you should sign that Lease or that the terms of that Lease are favorable to you. You are solely responsible for ensuring that you are capable of meeting all terms and conditions set forth in your Lease, including the financial provisions applicable to rent and fees. Our approval indicates only that we believe that the Premises and the Lease’s terms meet our then-acceptable criteria.

C. DEVELOPMENT AND OPENING OF YOUR STUDIO.

You are responsible for developing and opening your Studio. We will give you mandatory and suggested specifications for your Studio, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities. It is your responsibility to confirm all required construction plans and specifications comply with all applicable laws, ordinances, building codes, permit requirements, and Lease requirements.

You agree to retain, at your expense, an architect to produce development plans for your Studio. You must send us your development and construction plans and specifications for review and approval before you begin constructing your Studio, but no later than 30 days after executing your Lease. You must send us any revisions to such plans for our approval before such revisions are implemented. Our review is limited to ensuring your compliance with our design requirements and does not assess compliance with federal, state, or local laws and regulations. Ensuring that your Studio complies with these laws is your responsibility. We may enter and inspect the Premises while you are developing your Studio.

Before your Studio’s opening, you agree to do the following, at your own expense:

- (1) secure all financing required to develop and operate your Studio and acquire and maintain adequate capital reserves;
- (2) obtain all required zoning, building, utility, sign, health, sanitation, business, and other permits and licenses necessary to operate your Studio at the Premises;
- (3) obtain all insurance policies that we require, as provided in Section 9.I;
- (4) construct all required improvements to the Premises and decorate your Studio according to plans and specifications approved by us and in accordance with the requirements of the Lease and our System Standards (as defined in Section 5.F);

- (5) purchase or lease, and install, all required fixtures, furniture, equipment, signs, décor, and other operating assets for your Studio (collectively, “**Operating Assets**”);
- (6) obtain all customary contractors’ sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;
- (7) purchase an opening inventory of authorized and approved products, materials, and supplies to operate your Studio;
- (8) complete the pre-opening portion of your Opening Marketing Plan (defined in Section 10.A), including that you have begun selling Memberships (as defined in Section 9.D) for your Studio for a period of not less than 30 days; and
- (9) satisfy all other pre-opening requirements under this Agreement, including all training requirements and payment of all initial fees.

We reserve the right to require you to use supplier(s) we approve or designate (which may include or be limited to us or our affiliates) for design, engineering, construction management, and purchasing services in connection with the development of your Studio.

You must satisfy all of our System Standards for developing and opening a Studio, and open your Studio for business, by the earlier of: (i) 30 days upon the completion of each of the above requirements as provided in this Section 3.C; (ii) 180 days after the Lease is executed, or (iii) within 9 months of the Effective Date. You must notify us of the date that you open your Studio for business (the “**Opening Date**”).

4. **YOUR FEES TO US.**

A. **INITIAL FRANCHISE FEE.**

You agree to pay us a non-recurring and non-refundable initial franchise fee in the amount of Fifty Thousand Dollars (\$50,000) on the Effective Date (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and fully earned by us when you sign this Agreement and is not refundable under any circumstances.

B. **ROYALTY FEE.**

You agree to pay us a royalty fee (the “**Royalty**”) equal to six percent (6%) of your Studio’s Gross Sales at the intervals we specify.

C. **DEFINITION OF GROSS SALES.**

For purposes of this Agreement, “**Gross Sales**” means all revenue or other income or consideration that you derive, directly or indirectly, from operating your Studio, including, all revenue, income, or other consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. There will be no deductions for uncollected or uncollectible accounts and no allowances for bad debt. If we authorize or require participation in online group-bought deals, gift certificate and/or gift card programs, the payments you receive shall be included in Gross Sales in accordance with our then-current guidelines for calculating Gross Sales, which may include calculating such amounts. Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from your customers and paid to the appropriate taxing authority.

D. TECHNOLOGY FEE.

We require you to pay a Technology Fee of \$40 per month (a “**Technology Fee**”). We may modify the amount of your Technology Fee from time to time during the Term, provided that the Technology Fee will not increase by more than \$100 per year on a compounding basis. The Technology Fee is in addition to all direct out-of-pocket costs you must otherwise incur under the terms of this Agreement or the Operations Manual to acquire, maintain, or service your Technology System (as defined in Section 9.E). You must pay the Technology Fee at the times and in the manner we designate.

E. MARKETING FUND CONTRIBUTION.

You must make a Marketing Fund Contribution (as defined in Section 10.D) in the amount and at the intervals we specify in Section 10.D.

F. INTEREST ON LATE PAYMENTS.

All amounts which you owe us for any reason will bear interest accruing as of their original due date at one- and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for service charges and interest. You acknowledge that this Section is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance the operation of, your Studio.

G. APPLICATION OF PAYMENTS.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance under this Agreement.

H. METHOD OF PAYMENT.

You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

You agree to sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for any or all amounts due under this Agreement (the “**Pre-Authorized Debit Agreement**”). Such Pre-Authorized Debit Agreement will remain in full force and effect during the Term. We or our designee may debit any account specified in the Pre-Authorized Debit Agreement for amounts you owe us on their due dates (or the next business day if the due date is a national or statutory holiday or a weekend). You must ensure that funds are available in your designated account to cover our withdrawals. If there are insufficient funds in your designated account to cover our withdrawals, and/or any other payment you issue to us and/or that we initiate fails for any reason whatsoever, we may charge you \$50 for each instance (subject to change up to \$100 per instance).

We may receive information regarding your Gross Sales through our access to the Technology System or we may require you to submit weekly Gross Sales reports in the format we require. If we ever stop having access to information from your Technology System, and you fail to report your Gross Sales when due, then for each payment due under this Agreement that is calculated based on Gross Sales, we may debit your business account 110% of the average of the last three applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your true and correct Gross Sales), we will debit your business account for the balance on any day we specify. If the amounts that we debit from your business account are greater than the amounts

you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

You must pay us the Royalty, Marketing Fund Contribution and all other fees and amounts you owe us or our affiliates under this Agreement on the days and at the intervals that we specify. We may change the timing, frequency and intervals of any such payments from time to time, but with no less than 30 days' prior written notice to you.

5. **TRAINING AND ASSISTANCE.**

A. **OPERATIONS TRAINING.**

Prior to opening your Studio for business, you (or if you are conducting business as an Entity, your Managing Owner) and your Operations Manager (as defined in [Section 9.F](#)) (if applicable) must complete our operations training to our satisfaction ("**Operations Training**"). We will determine the identity and composition of the trainer(s) conducting the Operations Training and the contents of the Operations Training. We will provide the Operations Training at the times and locations we determine, which may include conducting any or all of the Operations Training online or via other virtual means. We will determine the length of the Operations Training, and we may vary the Operations Training based on the experience and skill level of the individual(s) attending. Scheduling of the Operations Training is based on your and our availability, training facility availability, and the projected Opening Date for your Studio. If you (or if you are conducting business as an Entity, your Managing Owner) and/or your Operations Manager (if applicable) fail to satisfactorily complete the Operations Training, then we may require such person(s) to attend additional training at a time and location of our choice. If you (or if you are conducting business as an Entity, your Managing Owner) and/or your Operations Manager (if applicable) are unable to satisfactorily complete the Operations Training, we reserve the right to terminate this Agreement. If you engage any new Operations Manager and/or your Managing Owner for any reason changes during the Term, such individuals must complete Operations Training before providing services to your Studio.

You must pay our then-current fee for Operations Training if: (i) you request, and we approve, any attendees at the Operations Training other than you (or if you are conducting business as an Entity, your Managing Owner) and your Operations Manager; (ii) we provide the Operations Training more than once to accommodate your attendees; and/or (iii) we provide the Operations Training to any new Operations Manager(s) or any new Managing Owner during the Term. Our fee for Operations Training is currently \$1,500 per training, but we may modify this fee at any time, provided that we will not increase the fee for Operations Training by more than 10% per year (on a compounding basis).

If you (or if you are conducting business as an Entity, your Managing Owner) and your Operations Manager (if applicable) complete the Operations Training to our satisfaction and have not expressly informed us at the end of the Operations Training that they do not feel sufficiently trained in the operation of a Studio, then you and they will be deemed to have been trained sufficiently.

You agree to pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you and your personnel incur during any Operations Training. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct Operations Training, including food, lodging and transportation.

B. **INSTRUCTOR ONBOARDING AND CERTIFICATION.**

All instructors for your Studio must complete our instructor onboarding training program to our satisfaction prior to providing classes, instruction, and/or services at your Studio ("**Instructor Onboarding**"). At least six instructors must complete the Instructor Onboarding to our satisfaction prior to your Opening Date. We will provide the Instructor Onboarding to up to ten initial instructors prior to your

Opening Date at no cost, provided they all attend at the same time. From and after your Opening Date, we may approve you to offer the Instructor Onboarding to your instructors if you satisfy our minimum criteria and we affirmatively notify you that you are approved to offer such Instructor Onboarding. We may revoke your right to provide Instructor Onboarding at any time if you fail to satisfy our criteria.

You must pay our then-current fee for Instructor Onboarding if: (i) we provide the Instructor Onboarding to more than ten initial instructors; (ii) we provide the Instructor Onboarding more than once to accommodate your attendees; and/or (iii) we provide the Instructor Onboarding to any additional instructors you hire during the Term. Our fee for Instructor Onboarding is currently \$2,000 per training, but we may modify this fee at any time, provided that we will not increase the fee for Instructor Onboarding by more than 10% per year (on a compounding basis).

All instructors for your Studio must also be certified Pilates instructors, from a certification program that meets our minimum standards. For those instructors who have not yet obtained an approved Pilates instructor certification, you may enroll your instructors in our proprietary certification training program (“**Instructor Certification**”). You or the instructor must pay our standard fees for our Instructor Certification program on the terms we specify from time to time.

We will determine the identity and composition of the trainer(s) conducting Instructor Onboarding and Instructor Certification and the contents of all such training. We will provide both Instructor Onboarding and Instructor Certification at the times and locations we determine, which may include virtual means. We will also determine the length and content of Instructor Onboarding and Instructor Certification. We may vary Instructor Onboarding and Instructor Certification based on the experience and skill level of the individual(s) attending. Scheduling of Instructor Onboarding and Instructor Certification is based on your and our availability, training facility availability, and the projected Opening Date for your Studio.

You have the ultimate and exclusive responsibility for ensuring that all of your employees and personnel are appropriately trained to operate the Studio in accordance with this Agreement and our System Standards, regardless of any training or support that we provide, including Instructor Onboarding and Instructor Certification. We may periodically establish certain minimum requirements for your employee training programs, including our requirements relating to Instructor Onboarding and Instructor Certification; however, you understand that these minimum requirements are solely intended to protect our System and the goodwill of the Marks. You must ensure that all training is sufficient for your personnel.

You are responsible for all expenses (including wages, transportation, food, lodging, and workers’ compensation insurance) that you and your personnel incur during any and all meetings and/or training courses and programs of any kind, including Instructor Onboarding and Instructor Certification. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct training, including food, lodging, and transportation.

C. ON-SITE OPENING SUPPORT.

In connection with the opening of your Studio, we will provide you on-site operational advice, guidance, and support for at least two days. We will determine the identity and composition of the training team that we send to provide on-site support (which may be comprised of only one person). We are not required to provide additional on-site assistance to you and we may determine the amount (if any) that we will provide in our discretion. For any on-site assistance or support that we provide you, you must reimburse our and our representatives’ direct costs (including travel, lodging, meals, and wages) for providing such on-site support and assistance. Notwithstanding anything to the contrary in this Agreement, we will not be required to send any of our representatives to your Studio to provide any training, assistance, or services of any kind if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you

from your obligations under this Agreement (including, without limitation, to pay monies owed) and will not serve as a basis for your termination of this Agreement.

D. CONTINUING EDUCATION.

During the Term, we may require that you (or if you are conducting business as an Entity, your Managing Owner), your Operations Manager, and/or your instructors participate in additional, supplemental, and continuing education and training programs designated by us (“CE”). You (or if you are conducting business as an Entity, your Managing Owner), your Operations Manager, and all of your instructors must meet our then-current standards for all CE, including that we may require such persons to complete a minimum number of CE hours per year, complete specific required CE programs, and/or satisfy any other requirements that we designate. You must ensure that no instructors teach at your Studio if they have failed to satisfy our minimum requirements for CE. We may at any time modify our CE requirements and/or the acceptable methods for satisfying such CE requirements, which may include online training, regional meetings or seminars, classroom-based instruction, or sessions held at our annual franchise conference, and/or programs provided by third-parties we specify. You must pay us and/or the third parties we designate for all CE costs and program fees. If we provide such CE, our program fees will be \$500 per attendee per day if CE is offered at one of our Studios or \$1,000 per day per attendee, plus our out-of-pocket costs and expenses, if CE is offered at your Studio (the per day fees are subject to change up to 10% per year on a compounding basis). For any CE programs provided by third parties, the standard rates charged by such third parties will apply. If any individual fails to complete any CE requirements, you must pay \$1,000 per day for remedial CE training (subject to change up to 10% per year on a compounding basis), as well as all associated trainer expenses, including travel, lodging, and meals. Remedial CE may be provided in person and/or by any other means, including virtually. You are responsible for all expenses incurred by you or your personnel in connection with such training, including travel, lodging, meals, and compensation.

E. ADDITIONAL GUIDANCE AND TRAINING.

Subject to limitations on scheduling, availability, and similar resources, we will provide you advice from time to time during the Term regarding your Studio, including: (i) standards, specifications, and operating procedures and methods that Studios use, including, facility appearance, guest service procedures, and quality control; (ii) equipment and facility maintenance; and (iii) advertising, marketing, and branding strategies. We may provide guidance on the telephone, virtually, in writing, in our Operations Manual (as defined in Section 5.F), or in-person at our offices or your Studio, as we determine.

You may request reasonable additional training in the operation of a Studio from time to time during the Term. If we agree to provide you such additional training, we will determine the duration, location, and contents of this additional training. We may also require you (or if you are conducting business as an Entity, your Managing Owner), your Operations Manager (if applicable) and/or any of your instructors attend additional training at any time during the Term if we determine that your Studio and/or such person(s) are not operating in accordance with our System Standards, and/or any such individual(s) fail to complete any required training to our satisfaction. We may charge you our additional training fee of \$150 per hour for any and all additional training provided to you under this Agreement for any reason (subject to change up to 10% per year on a compounding basis).

During the Term, we may also require that you (or if you are conducting business as an Entity, your Managing Owner) and/or your Operations Manager (if applicable) attend various franchisee conferences, meetings, and locations designated by us, which may be virtual. If we host such a franchise conference (which we are not obligated to do), you must pay us a conference fee of \$500 per attendee (subject to change up to 10% per year on a compounding basis). You must pay our conference fee for the minimum required attendees we specify regardless of whether such person(s) attend the conference.

F. **OPERATIONS MANUAL.**

We will make our brand standards for the operation of Studios available to you during the Term, which may include one or more separate manuals, as well as electronic files and software, information available on an internet site, and other media, bulletins, and/or other written materials (collectively, the “**Operations Manual**”). The Operations Manual contains the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating Studios in general or your Studio in particular (“**System Standards**”), and other suggested specifications, standards and procedures, and information on your other obligations under this Agreement. We may modify the Operations Manual periodically, including changes in System Standards. If there is a dispute over its contents, our master copy of the Operations Manual will control. You agree that the Operations Manual’s contents are considered Confidential Information (as defined in Section 7.A) and that you will not disclose the Operations Manual to any person other than any employee who needs to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual without our approval.

At our option, we may make some or all of the Operations Manual available through an Online Presence. If we do so, you agree to monitor and access that Online Presence for any updates to the Operations Manual. Any passwords or other digital identifications necessary to access the Operations Manual will be deemed to be part of Confidential Information.

6. **INTELLECTUAL PROPERTY.**

A. **YOUR LICENSE.**

We grant you a non-exclusive license to use the Marks and the System to operate your Studio, subject to the terms of this Agreement. Your right to use the Marks and the System is derived only from this Agreement, and you may use the Marks and the System only for your Studio, and only according to this Agreement and in accordance with System Standards. You have no right to sublicense or assign your right to use the Marks or the System.

B. **USE OF MARKS.**

You agree at all times to faithfully, honestly, and diligently promote the Marks in connection with operating your Studio. You agree to identify yourself as the independent owner of your Studio in the manner we prescribe. You may not use any Mark (i) as part of any corporate or legal business name; (ii) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (iii) in selling any unauthorized services or products; (iv) as part of any website, domain name, email address, social media account, other online presence or presence on any electronic, virtual, or digital medium of any kind (“**Online Presence**”), except in accordance with our System Standards; (v) in advertising any prospective transfer that would require our approval under this Agreement; or (vi) in any other manner that we have not expressly authorized in writing. You agree to give the notices of trademark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You may not use any other trademarks, service marks or commercial symbols other than the Marks to identify or operate your Studio.

C. **OWNERSHIP AND GOODWILL.**

We and/or our affiliates are the sole and exclusive owners of the Marks and the System and all goodwill arising from the Marks and the System. Your unauthorized use of the Marks or the System is a breach of this Agreement and infringes our and our affiliates’ intellectual property rights. Your unauthorized use of the Marks or the System will cause us and our affiliates irreparable harm for which there is no adequate remedy at law and will entitle us and our affiliates to injunctive relief. You

acknowledge and agree that your use of the Marks and the System and any goodwill established by that use are exclusively for our and our affiliates' benefit and this Agreement does not confer any goodwill or other interests in the Marks and the System to you or your affiliates, other than the right to operate your Studio under this Agreement. All provisions of this Agreement relating to the Marks and the System apply to any changes and/or additions to the Marks or the System that we authorize from time to time. You may not at any time during or after the Term contest or assist any other person in contesting the validity of the Marks or the System or our or our affiliates' rights to the Marks or the System.

D. NOTIFICATION OF INFRINGEMENT AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark or component of the System, or of any person's claim of any rights in any Mark or component of the System, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any possible infringement, challenge, or claim. We and/or our affiliates may take any action we deem appropriate (including no action) and exclusively control any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark or the System. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in any Mark and the System. We will reimburse you for your reasonable documented out-of-pocket costs of taking any action that we have asked you to take.

E. CHANGES TO MARKS AND SYSTEM.

You understand that the Marks and the System may evolve over time, including after you sign this Agreement. If we decide to modify, substitute, add, or discontinue the use of any Marks or the System, you agree to make such modifications and updates as we specify and to comply with all other directions we give regarding the use of the Marks and the System in connection with your Studio within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes, promoting a modified or substitute Mark, or for any loss of revenue due to any modified to the Marks or System.

7. PROPRIETARY INFORMATION.

A. CONFIDENTIALITY.

You and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and the operation of Studios, including information arising from your Studio (the "**Confidential Information**"), including: (i) training programs and operations materials (including the Operations Manual); (ii) the System Standards and the System; (iii) market research and marketing strategies (including expansion strategies and targeted demographics); (iv) specifications for, suppliers of, and methods of ordering, products and services (including Operating Assets); (v) any software or technology which is proprietary to us or the System, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (vi) the operating results and financial performance of Studios, including your Studio; (vii) information generated by, or used or developed in, any Studio's operation, including information relating to customers such as names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographics, and related information; (viii) any training curriculums, techniques, class structure, digital content, and/or other Pilates and wellness routines; and (ix) any other information designated as confidential or proprietary by us.

All Confidential Information will be owned by us (other than Restricted Data, as defined in Section 9.M). You acknowledge and agree that: (i) you will not acquire any interest in any of our Confidential

Information, other than the right to use it as we specify in operating your Studio during the Term, and (ii) our Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to us and our affiliates. You (and if you are conducting business as an Entity, each of your owners) therefore agree that during and after the Term you will, and will cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to:

- (1) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of the Studio in accordance with this Agreement, and not for any other purpose of any kind;
- (2) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions;
- (3) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating the Studio in accordance with this Agreement; and you agree that you will be responsible for any violation of this requirement by any of your representatives or employees;
- (4) not make unauthorized copies of any of our Confidential Information;
- (5) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of this Agreement (and we reserve the right to designate or approve the form of confidentiality agreement that you use); and
- (6) at our request, destroy or return any of the Confidential Information.

Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

B. INNOVATIONS.

All ideas, concepts, techniques, content, or materials relating to a Studio and/or the System created by you, your owners or your employees (or for you, your owners or your employees), whether or not protectable intellectual property, must be promptly disclosed to us and will be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent that any item does not qualify as a work made-for-hire for us, you hereby waive all moral rights in that item, assign ownership of that item and all related rights to us, and agree to take whatever action and sign whatever documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

8. **EXCLUSIVE RELATIONSHIP.**

A. **NON-COMPETITION.**

You acknowledge that we have granted you a franchise in consideration of and reliance on your agreement to deal exclusively with us. You (and if you are conducting business as an Entity, each of your owners) therefore agree not to and to cause each of your respective spouses, immediate family members, affiliates, successors, and assigns not to at any time during the Term:

(1) have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business (as defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(2) perform services or act as a director, officer, manager, employee, consultant, lessor, representative, or agent for a Competitive Business, wherever located or operating; or

(3) divert or attempt to divert any actual or potential business or customer of any Studio to a Competitive Business.

You agree to obtain similar covenants and covenants of confidentiality from your personnel as we specify, including officers, directors, managers, and other employees attending our training or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

The term “**Competitive Business**” means any business operating or granting franchises or licenses to others to operate any fitness business that: (i) features Pilates instruction or training and/or related wellness instruction, classes, and private sessions and services, and/or (ii) any other products or services substantially similar to those offered by Studios.

B. **NON-INTERFERENCE.**

During and after the Term, you (and if you are conducting business as an Entity, each of your owners) further agree not to, and to cause your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors, and assigns not to solicit, interfere, or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, suppliers, or consultants.

C. **NON-DISPARAGEMENT.**

During and after the Term, you (and if you are conducting business as an Entity, each of your owners) agree not to, and to cause your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors, and assigns not to: (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates’ directors, officers, employees, representatives or affiliates, the “Pilates Republic” brand, the System, any Studio, any business using the Marks, or any other brand concept operated or franchised by us or our affiliates; (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System or the Marks; or (iii) take any other action which would constitute an act of moral turpitude and/or is or could reasonably become the subject of public scandal, disrepute, or infamy. Notwithstanding

anything to the contrary, in no event will you be prohibited from providing truthful testimony in connection with a legal proceeding or governmental investigation. In addition, nothing in this Agreement shall prohibit you from reporting a suspected violation of law to the appropriate governmental agency or authority.

9. **BUSINESS OPERATIONS AND SYSTEM STANDARDS.**

A. **CONDITION AND APPEARANCE OF YOUR STUDIO.**

During the Term you must regularly clean, repaint, and repair the interior and exterior of the Premises, repair or replace damaged, worn out, or obsolete Operating Assets and otherwise maintain the condition of your Studio, the Premises, and the Operating Assets to meet the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service, and pleasant ambiance. You must place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve. You must maintain all required retail items in sufficient quantities. You must maintain and replace all Pilates and other equipment as needed to comply with our System Standards and in accordance with all maintenance guidelines described in any manufacturer's or seller's instructions and in the Operations Manual from time to time.

If you fail to maintain your Studio in accordance with our System Standards, and do not complete any required maintenance in good faith and with due diligence for more than 30 days after we notify you of the deficiency, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf. You agree to reimburse us on demand for any expenses we incur in maintaining the Premises on your behalf.

B. **COMPLIANCE WITH SYSTEM STANDARDS.**

You acknowledge and agree that operating and maintaining your Studio according to System Standards is essential to preserve the goodwill of the Marks, the System, and all Studios. Therefore, you agree at all times to operate and maintain your Studio according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard is not in the System's or your best interests. Although we retain the right to establish and periodically modify System Standards, you are solely responsible for the management and operation of your Studio and for implementing and maintaining System Standards at your Studio. As examples, without limitation, System Standards may regulate any one or more of the following:

- (1) amounts, types, and suppliers of Operating Assets and inventory you must purchase and/or maintain;
- (2) sales, marketing, advertising, and promotional campaigns, including prize contests, special offers, and other national, regional, or location marketing programs, and materials and media used in these programs;
- (3) use and display of the Marks at your Studio and on uniforms, labels, forms, paper, products, and other supplies;
- (4) issuing and honoring gift cards, gift certificates, and similar items, and participating in loyalty programs;
- (5) minimum staffing levels, qualifications, training, uniforms, and appearance (although you have sole responsibility and authority concerning all other matters relating to employees and personnel, including hiring and promotion, hours worked, rates of pay and other benefits, work assigned, the manner of performing work, and working conditions);

- (6) days and hours of operation;
- (7) customer service standards and policies, and participation in any quality assurance or customer satisfaction programs;
- (8) product and service offerings, memberships, and packages;
- (9) classes, programs, methods of coaching and training, techniques, equipment, and other components of the fitness curriculum;
- (10) product and service development programs, including participation in market research and testing;
- (11) accepting credit and debit cards, other payment systems, currencies, and check verification services;
- (12) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition;
- (13) policies for the registration, use, content, or management of Online Presences, or any other technology systems, solutions, or products, and
- (14) any other aspects of operating and maintaining your Studio that we determine to be useful to preserve or enhance the “Pilates Republic” brand-image, and goodwill of the Marks and the System.

You understand that the System will continue to evolve during the Term and the System Standards may change periodically. These modifications may obligate you to invest additional capital in your Studio and/or incur higher operating costs. You agree to implement any changes to your Studio in accordance with our System Standards within the time period we request, including by buying new Operating Assets, refurbishing or remodeling your Studio, upgrading or replacing any or all of the Technology System, adding new products and services, or otherwise modifying the nature of your operations, as if part of this Agreement as of the Effective Date. You will be solely responsible for the costs of implementing all changes to your Studio in accordance with the System Standards.

You further acknowledge and agree that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary System Standards for any franchise owner based on the peculiarities of any condition that we consider important. We may choose not to authorize similar variations or accommodations to you or other franchise owners

C. PRODUCTS AND SERVICES YOUR STUDIO OFFERS.

You agree that you will offer and sell at your Studio the products or services that we specify from time to time, including that you may not offer any fitness classes, services, coaching, training, or content that we have not approved or have disapproved, and/or that otherwise does not meet our System Standards. You will offer and sell such approved products or services only in the manner and at the locations we have prescribed and will not offer or sell any products or services through alternative channels of distribution (including the internet or retail stores) without our approval. You will not offer or sell any products or services we have not approved at any location. If we at any time disapprove any product or service you will immediately discontinue offering or selling it at your Studio.

Without limiting the foregoing, you acknowledge that as our System evolves, we may authorize one or more Studios to offer additional, different, or modified products or services, and we are under no obligation to authorize every Studio to offer the same products or services. We may condition our approval for you to offer or sell any such products or services on our then-current criteria, and/or other additional terms and conditions that we establish. If we at any time (including after our initial approval) determine that you fail to meet our System Standards for offering or selling any products or services, we may permanently or temporarily terminate your right to offer or sell such products or services; provided that nothing contained herein will be deemed a waiver of our right to terminate pursuant to Section 15.B.

D. MEMBERSHIPS.

We reserve the right to authorize or require you to sell memberships, class packages, and/or other service packages or offerings for your Studio (collectively, “**Memberships**”). All Memberships must be evidenced by a written agreement with the customer (a “**Membership Agreement**”) that we have approved of and must not be for a term that extends beyond the expiration of this Agreement. When selling Memberships, you will use the form of Membership Agreement that we will provide to you, and you will not make any modifications in the form without our prior written consent. Notwithstanding the foregoing, you acknowledge that you are responsible for ensuring that the Membership Agreement complies with all applicable laws for your Studio and you may modify the Membership Agreement to the extent necessary to comply with such applicable laws, provided that you provide us with immediate notice of all such modifications.

You must comply with the System Standards we periodically establish regarding Memberships, including relating to types and terms, transfer and reciprocity between Studios, group accounts, discounts, and otherwise. Notwithstanding the foregoing, you will be solely responsible for complying with all applicable laws and regulations relating to your offer and sale of Memberships, the terms of any Membership Agreement, and any other operations of your Studio relating to Memberships, and you agree that you will fully comply with all such laws and regulations. If you believe that the laws applicable to your Studio will prevent you from complying with our System Standards, you agree to notify us promptly.

At our request from time to time, you must send us a list of your members and all other information we specify. You agree that we own all information relating to your members, such as member names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information, and related information (“**Membership Information**”) and that such Membership Information comprises part of the Confidential Information which you are licensed to use under this Agreement. We may use and disclose such Membership Information in our and their business activities in our discretion. We may also contact any member(s) of your Studio at any time for any purpose .

We may modify the types and terms of Memberships and/or suspend, revoke, or terminate your right to offer certain types of Memberships.

E. OPERATING ASSETS.

You agree to obtain and install the Operating Assets we designate from time to time as meeting our System Standards for quality, design, appearance, function, and performance, including: (i) the computer hardware, software, and point-of-sale system (collectively, the “**Technology System**”), and (ii) all other fixtures, furniture, equipment, furnishings, and signs and other products and services that that we approve for Studios. If we designate or approve certain brands, types, and models of Operating Assets, you agree to purchase or lease only Operating Assets meeting the specifications we have designated or approved. We may also require you to purchase or lease the Operating Assets only from suppliers we have designated or approved (which may include or be limited to us and/or our affiliates) in accordance with Section 9.G. We may modify our designated or approved System Standards for Operating Assets from time to time and you agree to comply with our modified System Standards promptly after you receive notice.

F. **MANAGEMENT OF YOUR STUDIO.**

Subject to the terms and conditions of this Agreement, you are solely responsible for the management, direction, and control of your Studio. You (or if you are conducting business as an Entity, your Managing Owner) must supervise the management and day-to-day operations of your Studio on a full-time basis and continuously exert best efforts to promote and enhance your Studio and the goodwill associated with the Marks. If you do not (or if you are conducting business as an Entity, your Managing Owner does not) wish to supervise the day-to-day operation of your Studio on a full-time basis, then you must obtain our approval of any management level employee and/or other person, agent, or management company that you wish to engage to supervise the management of your Studio on a full-time basis (your **“Operations Manager”**). We may establish conditions for approving any such Operations Manager in our discretion, which may include the completion of training, confirmation that he or she will have no competitive businesses activities, and/or execution of a non-disclosure agreement or other covenants we require. During any period in which no Operations Manager is approved (including because the Operations Manager resigns or otherwise indicates to us or you that he or she wishes to cease acting as your Operations Manager, or we disapprove of your Operations Manager for any reason), you (or if you are conducting business as an Entity, your Managing Owner) must supervise the day-to-day operations of your Studio on a full-time basis. Your Studio must always be under the direct on-site supervision of one or more persons who we have approved and who have completed Operations Training and work at your Studio on a full-time basis.

G. **APPROVED SUPPLIERS.**

We may designate, approve, or develop System Standards for manufacturers, distributors, and suppliers of products and services to your Studio, which may be us or our affiliates (collectively, **“suppliers”**). You must purchase the products and services we periodically designate only from the suppliers we prescribe and only on the terms and according to the specifications we approve.

We may concentrate purchases with one or more suppliers for any reason, including to obtain lower prices, advertising support, and/or services for any group of Studios franchised or operated by us or our affiliates. We may also designate a single supplier for any product or service or approve a supplier only for certain products or services, which may be us or our affiliates. You agree that we and/or our affiliates may derive consideration, revenue, and profits based on your purchases (including from charging you for products and services we or our affiliates provide to you, and from promotional allowances, rebates, volume discounts, and other payments, services, or consideration we receive from suppliers on the basis of sales to you or other franchise owners). We and/or any of our affiliates may retain and use such consideration, revenue, and profit without restriction. We also reserve the right to charge suppliers a fee for the right to manufacture products for use in the Studios.

If you would like us to consider approving a supplier that is not an approved supplier, you must submit your request in writing before purchasing any items or services from that supplier. We will make all determinations about whether to approve an alternative supplier in our sole discretion based on our then-current criteria, which may change from time to time. We may also refuse to consider and/or approve any proposed alternative supplier for any reason whatsoever. If you ask us to evaluate any proposed alternative supplier, you must reimburse us for all costs and expenses we incur in doing so. We may, with or without cause, revoke our approval of any supplier at any time.

We may, at our option, arrange with designated suppliers, to collect or have our affiliates collect fees and expenses associated with products and services, to provide such services to you and, in turn, pay the vendor on your behalf for such products or services. If we elect to do so, you agree that we or our affiliates may auto debit your account for such amounts in the same manner and using the same authorization that you grant us with respect to payment of Royalty and other fees.

H. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You must secure and maintain all required licenses, permits, and certificates relating to the operation of your Studio and must at all times operate your Studio in full compliance with all applicable laws, ordinances, and regulations. You agree to comply and assist us in our compliance efforts with any and all laws and regulations, including those relating to health and safety, fitness memberships, customer privacy, advertising, lending, occupational hazards, health, and anti-discrimination. You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities (as provided in Section 17.C) apply to your obligations under this Section.

Your Studio must adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in all dealings with customers, suppliers, us, and the public. You agree to refrain from any business or advertising practice which may injure our business and the goodwill associated with the Marks and other Studios. Promptly upon receipt, you agree to provide us a copy of any and all notices you receive from any person, entity, or governmental authority claiming that you (or your affiliates or representatives) have violated any laws, regulations, permits, licenses, agreements, or committed any other breach, default, or violation in connection with your Studio, and/or that any audit, investigation, or similar proceeding by any such person or governmental authority is pending or threatened against you on the basis of any of any the foregoing, including any default notices from any landlord or supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations of law, or which may otherwise adversely affect your operation or financial condition or that of your Studio.

If we are contacted by a customer of your Studio who wishes to lodge a complaint, we reserve the right to address the customer's complaints in order to preserve goodwill and prevent damage to the Marks. Our right to address complaints may include refunding money to the customer, in which case you must reimburse us for these amounts. We may contact any customer(s) of your Studio at any time for any reason.

I. INSURANCE.

During the Term, you must obtain and maintain in force at your sole expense the types and amounts of insurance that we require and that comply with the terms of your Lease. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Studio's operation or activities of your personnel in the course of their employment. All of these policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Studio on your behalf, in which event you agree to cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and

maintaining the insurance, plus a reasonable fee. Additionally, if you fail to submit to us any Certificate of Insurance in the time and manner we prescribe, we may charge a fee of \$500 per instance.

Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Studio. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Studio that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

J. PRICING.

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

K. LIABILITY WAIVERS

You must obtain a signed liability release and waiver (a “**Liability Waiver**”) from every customer of your Studio (and in the case of any customer that is a minor, from an authorized parent or guardian of that minor) before they enter fitness areas of the Premises or participate in any services or activities. We must approve the form of Liability Waiver that you will use before you begin to use it with any customers, and we reserve the right to regulate the form of Liability Waiver and to be a third-party beneficiary of that Liability Waiver. We may disapprove any Liability Waiver at any time, and you must update your Liability Waiver periodically to meet our then-current standards.

You acknowledge and agree that if we approve or regulate the terms of any Liability Waiver it is not a representation by us or our affiliates of any kind (express, implied, or collateral) that the Liability Waiver complies with all applicable laws in any particular jurisdiction, is enforceable in any particular jurisdiction, or is in any other manner sufficient to protect you or you or your Studio from potential liability. Our approval or regulation of the Liability Waiver is strictly to ensure it meets our standards, which we have established for our own purposes. You are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any Liability Waiver, and its compliance with any applicable laws in your specific jurisdiction.

You must maintain each signed Liability Waiver in your records for the longer of: (i) the Term; or (ii) the statute of limitations on personal injury claims in the state in which your Studio operates plus 180 days. We reserve the right to request copies of any or all executed Liability Waivers signed by customers of your Studio.

L. CONTACT INFORMATION AND LISTINGS.

You agree that, as between us and you, we reserve the right to all telephone numbers, online listings, and/or any other type of contact information or directory listing for your Studio or that you use in the operation or promotion of your Studio (collectively, the “**Contact Information**”). The Contact Information may be used only for your Studio in accordance with this Agreement and our System Standards and for no other purpose. We reserve the right to notify any telephone company, listing agencies, website hosting

company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Studio is inaccurate or violates our System Standards, and request that they modify such Contact Information, and/or remove such Contact Information.

M. INFORMATION SECURITY.

You may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”). You may gain access to such Personal Information from us, our affiliates, our vendors, or from your own operations. You acknowledge and agree that, as between us and you, all Personal Information (other than Restricted Data, as defined below) is our Confidential Information and is subject to the protections in Section 7.

During and after the Term, you (and if you are a legal entity, each of your owners) agree to, and to cause your respective current and former employees, representatives, affiliates, successors, and assigns to: (i) collect, disclose, process, retain, and use all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Internet presence; (ii) assist us with meeting our compliance obligations under applicable laws and regulations relating to Personal Information; and (iii) promptly notify us of any communication or request from any customer or other data subject to access, correct, delete, opt-out of, or limit activities relating to any Personal Information.

If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach. We reserve the right to conduct a data security and privacy audit of any part of the Studio and Technology System at any time, from time to time, to ensure that you are complying with our requirements. You must promptly notify us if you receive any complaint, notice, or communication, whether from a governmental agency, customer or other person, relating to any Personal Information, or your compliance with our obligations relating to Personal Information under this Agreement, and/or if you have any reason to believe that you will not be able to satisfy any of your obligations relating to Personal Information under this Agreement.

Notwithstanding anything to the contrary in this Agreement, you agree that we do not control or own any of the following Personal Information (collectively, the “**Restricted Data**”): (i) any Personal Information of employees, officers, contractors, owners or other personnel of you, your affiliates, or the Studio; (ii) such other Personal Information as we may from time to time expressly designate as Restricted Data; and/or (iii) any other Personal Information to which we do not have access. Regardless of any guidance we may provide generally and/or any specifications that we may establish for Personal Information, you have sole and exclusive responsibility for all Restricted Data, including establishing protections and safeguards for such Restricted Data.

N. EMPLOYEES, AGENTS, AND INDEPENDENT CONTRACTORS.

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Studio. You agree that any employee, agent or independent contractor that you hire will be your employee, agent or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, benefits, work hours and schedules, work assignments, methods and manner of performing duties, safety and security, discipline, and supervision. You agree to

manage the employment functions of your Studio in compliance with federal, state, and local employment laws. Without limiting the foregoing, you agree that we may require that any employee, agent, or independent contractor that you hire and that will have access to Confidential Information execute a non-disclosure agreement that we approve or designate. If we approve or designate any form of non-disclosure agreement, it is solely to ensure that it meets our minimum standards to protect us and the Marks and System, it is your sole responsibility to: (i) ensure that the non-disclosure agreement complies with and is enforceable under applicable laws in your jurisdiction; and (ii) obtain your own professional advise with respect to the terms and provisions of any such non-disclosure agreement that your employees, agents, and independent contractors sign.

10. **MARKETING.**

A. **OPENING MARKETING PLAN.**

You must conduct the opening marketing plan we specify during the period beginning three (3) months prior to your Studio's Opening Date and ending six (6) months after the Opening Date (the "**Opening Marketing Plan**"). The Opening Marketing Plan may include minimum requirements for pre-opening Membership sales, specifications for digital marketing campaigns, and/or requirements for customer events. You agree to comply with all of our specifications for the Opening Marketing Plan. In connection with the Opening Marketing Plan, you agree to spend: (i) at least \$2,000 per month on approved digital marketing during the period beginning three (3) months prior to the Opening Date and ending six (6) months after the Opening Date; and (ii) at least \$2,000 for an approved client appreciation event during the first 60 days after your Opening Date. You understand that the Opening Marketing Plan is strictly intended to govern the minimum marketing that we require you to conduct in connection with your Studio opening, and you should investigate whether it is necessary or prudent to conduct additional advertising, marketing, and/or promotional activities for your Studio in your area. The Opening Marketing Plan is not a representation or warranty of any kind, express or implied, that such marketing will achieve a specific result and/or be sufficient to effectively promote your Studio.

B. **LOCAL ADVERTISING EXPENDITURES.**

You are solely responsible for conducting all local advertising for your Studio. You must advertise and market your Studio in any advertising medium we determine, using forms of advertisement we approve. You must also list your Studio with the online directories and subscriptions we periodically prescribe (such as Yelp® and Google®), and/or establish any other Online Presence we require. You must comply with all of our System Standards for your advertising. Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, the System Standards, and any marketing and the advertising and marketing policies that we prescribe.

You must spend an average of \$2,000 per month to advertise and promote your Studio in a manner we approve (the "**Local Advertising Expenditure**"). The average monthly expenditure will be calculated annually based on the preceding 12 calendar months. We may increase the amount of your Local Advertising Expenditure periodically the Term with notice to you, provided we will not increase such amount by more than 10% per year (on a compounding basis). We will determine what type of expenditures will count towards your Local Advertising Expenditure. At our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures for the period we specify, including paid invoices and other records of your out-of-pocket costs.

We reserve the right to require you to pay part or all of the Local Advertising Expenditure to us or our designee, a third party, or suppliers we designate to conduct marketing. If we exercise the option to require that you pay part or all of the Local Advertising Expenditure to us, we will use the amount you pay us to conduct marketing in your Studio's area. We may at any time, on one or more occasions, cease

collecting all or part of the Local Advertising Expenditure or change the proportion of the Local Advertising Expenditure that you must pay us or our designees.

C. APPROVAL OF ADVERTISING.

At least 30 days before you intend to use them, you agree to send us all advertising, promotional, and marketing materials that we have previously not approved. If we do not approve of the materials within 14 days of our receipt of such materials, then they will be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You must pay us a fee of \$250 per occurrence if you use any unauthorized or disapproved advertising, promotional, or marketing materials. We may modify the amount of this fee up to \$500 at any time during the Term. This fee is a reasonable estimate of our damages associated with reviewing the unauthorized advertisement and is in addition to and not an estimate of any other damages arising from your breach of this Agreement, or a waiver of any kind of our right to seek additional remedies on the basis of your default.

D. MARKETING FUND.

We have established a marketing and brand promotion fund (the “**Marketing Fund**”) to administer certain advertising, marketing, and public relations programs for the System, the “Pilates Republic” brand, and the promotion of Studios. You hereby agree to contribute 2% of your Studio’s Gross Sales to the Marketing Fund at the intervals we specify (your “**Marketing Fund Contribution**”). We may modify the amount of the Marketing Fund Contribution from time to time with notice to you, provided that the Marketing Fund Contribution will not at any time during the Term exceed 5% of your Studio’s Gross Sales. The Marketing Fund Contribution must be paid by you in the manner we designate from time to time, which may include collecting amounts in the same manner as the Royalty.

We will have exclusive control over all programs and services administered by the Marketing Fund, with sole discretion over the creative concepts, materials, and campaigns and their geographic market, media placement, and allocation. The Marketing Fund may pay for preparing and producing video, audio, written materials, and electronic media; developing, implementing, and maintaining any Online Presences or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the brand, and/or Studios. We may also use the Marketing Fund to pay for the Marketing Fund’s other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Marketing Fund and its programs. We may modify Marketing Fund programs, services, or expenditures at any time in our sole discretion.

The purpose of the Marketing Fund is to promote the Marks, the System, the brand, and Studios generally. As such, you acknowledge and agree that there is no guarantee that you or your Studio will benefit from Marketing Fund expenditures directly or in proportion to your Marketing Fund Contribution. You further acknowledge and agree that the results of any marketing and promotional programs are by their nature uncertain, and that neither we nor any of our affiliates or representatives has guaranteed the results of any Marketing Fund programs, services, or expenditures in any manner.

We will account for the Marketing Fund separately from our other funds. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover

deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement on written request, within 120 days after the end of each fiscal year, but not fewer than 30 days from notice of such request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent chartered accountant. We may also administer the Marketing Fund through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties specified in this Section.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Marketing Fund in our sole discretion.

We may at any time, on 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and/or operations of the Marketing Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund and associated Marketing Fund Contributions. If we terminate the Marketing Fund, we will spend the remaining balance of the monies in the Marketing Fund in accordance with this Section until such amounts are exhausted. We may elect to maintain multiple Marketing Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Marketing Funds or the administration thereof, in each case provided that each such Marketing Fund will otherwise remain subject to this Section.

E. SYSTEM WEBSITES & ONLINE PRESENCES.

We may establish, acquire, or host any website(s) to advertise, market, and promote Studios, the products and services that they offer and sell, and/or a Studio franchise opportunity (a "**System Website**"). We may (but are not required to) provide you with a webpage on a System Website that references your Studio. If we provide you with a webpage on a System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in all System Websites, including your webpage and all information it contains (including the domain name, any associated email address, any website analytical data, and any personal or business data that visitors supply). Even if we provide you a webpage on a System Website, we will only maintain that webpage while you are in full compliance with this Agreement and all System Standards we implement. If you are in default of any obligation under this Agreement or our System Standards, then we may temporarily remove your webpage from any System Website until you fully cure the default. We will permanently remove your webpage from all System Websites upon this Agreement's expiration or termination.

We may require you to provide notice of any System Website in the advertising, marketing, and promotional materials that you develop for your Studio in the manner we designate. We reserve the sole right to sell the products sold by Studios through any Online Presence.

We reserve the right to require you to obtain from us and use an email address associated with our domain name(s). If we require you to obtain and use such an email address, you must do so according to our System Standards. You acknowledge and agree that we will have unrestricted access to and sole ownership of all such email accounts, and all documents, data, materials, and messages shared from or by such accounts. We may deactivate any such account or limit your or your users' access to it at any time.

Except as approved by us in writing or in the Operations Manual, you may not develop, maintain or authorize any Online Presence that mentions your Studio, links to any System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Studio, you will develop and maintain such Online Presence only in accordance with our guidelines, including our

guidelines for posting any messages or commentary on other third-party websites, including preparing and linking a privacy policy to such Online Presence that complies with all applicable laws, our System Standards, and other term and conditions that we may prescribe in writing. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

11. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use a Technology System to maintain certain sales data, Membership Information, and other information. You agree that we shall have access to the Technology System of your Studio at all times and that we shall have the right to collect and retain from the Technology System any and all data concerning your Studio. We may require that you hire a service-provider that we designate as your provider of accounting, payroll, and/or bookkeeping services. If we designate a service-provider for accounting, payroll, and/or bookkeeping services, you agree to cooperate with such service-provider and provide such service-provider with all information you would appropriately provide us under this Section.

Each month, you agree to generate, in the manner and format that we may prescribe from time to time, an income statement (including a standard chart of the accounts designated by us) for your Studio covering the most recently completed month. Upon our request, you agree to send us such statements. You also agree to give us in the manner and format that we prescribe from time to time:

- (1) on or before the Royalty payment, a report on your Studio's Gross Sales during the preceding week;
- (2) within 15 days after the end of each calendar month, the operating statements, financial statements, statistical reports, and other information we request regarding your Studio covering the preceding month;
- (3) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports, and other information we request regarding you and your Studio;
- (4) by March 15 of each year, annual profit and loss and source and use of funds statements and a balance sheet for your Studio as of the end of the prior calendar year; and
- (5) within 10 days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your Studio.

An officer must certify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your Studio for at least five years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, tax records and returns for sales, or similar taxes, cash receipts journals, cash disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the Term.

12. **INSPECTIONS AND AUDITS.**

A. **OUR RIGHT TO INSPECT YOUR STUDIO.**

To determine whether you and your Studio are complying with this Agreement and all System Standards, we and our designated agents or representatives may at any time and without prior notice to you: (i) inspect your Studio; (ii) photograph your Studio and observe and record (both audio and video) your Studio's operation for consecutive or intermittent periods we deem necessary; (iii) continuously or periodically monitor your Studio using electronic surveillance or other means; (iv) remove samples of any products and supplies; (v) speak with your Studio's personnel and customers; (vi) inspect your Technology System, including hardware, software, security, configurations, connectivity, and data access; (vii) attend any classes or programs taught at your Studio, at no cost to us; and (viii) inspect and copy any books, records, and documents relating to your Studio's operation. Additionally, we may engage third parties to conduct mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Studio. You consent to such recordings and agree to cooperate with us (and our designees) fully during the course of these inspections and tests. You agree to obtain all third-party consents required under applicable laws to permit such recordings. You further agree to reimburse us for the cost of any mystery shoppers that we engage to inspect your Studio.

If we determine after any inspection of your Studio that one or more failures of System Standards exist, or any circumstance exists that prevent us or our designated representatives from properly inspecting any or all your Studio (including if you or your personnel refuse entry to the Premises), we may re-inspect your Studio one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary, and you will reimburse all of our costs associated with the failed audit and/or such re-inspections and follow-up visits, including supplier fees, travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

B. **OUR RIGHT TO AUDIT.**

We may at any time during your business hours, and without prior notice to you, examine your and your Studio's business, bookkeeping, accounting records, tax records, and returns for income, sales, excise, or similar taxes, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Studio's Gross Sales, you agree to pay us the Royalty, Marketing Fund Contribution, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment, within 15 days after receiving the examination report. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding three percent (3%) of the amount that you actually reported to us for the period examined, you agree to reimburse us on demand for the costs of the examination, including attorney and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

13. **TRANSFER.**

A. **BY US.**

You acknowledge that we maintain a staff to manage and operate the franchise system and that staff can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form of organization and/or assign this Agreement and any other agreement to a third party without restriction or your consent. After our assignment of this Agreement

to a third party who expressly assumes the obligations under this Agreement, we will be released and will no longer have any obligations or liabilities under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

B. BY YOU.

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners, and that we have granted you the franchise in reliance on our perception of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred, mortgaged, pledged, or encumbered, without our prior written approval: (i) this Agreement or any interest in this Agreement; (ii) your Studio or any right to receive all or a portion of your Studio's profits or losses or capital appreciation; (iii) substantially all of the assets of your Studio; or (iv) any direct or indirect ownership interest in you. A transfer of your Studio's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer or attempt to transfer any of the foregoing (including by listing any of the following for sale on any directory or listing) without our approval is void and has no effect. In this Agreement, the term "**transfer**" includes (i) a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender, or by operation of law, or (ii) the transfer, surrender, or loss of the possession, control, or management of your Studio. You may not transfer this Agreement or the right to develop a Studio prior to the Opening Date.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

Subject to the other provisions of this Section, we will approve a transfer that meets all of the following requirements before or concurrently with the effective date of the transfer:

(1) you submit an application in writing requesting our consent and providing us all information or documents we request about the proposed transfer, the transferee, and its owners that we request, and each such person must have completed and satisfied all of our application and certification requirements;

(2) you provide us executed versions of any documents executed by you (or your owners) and transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including terms, closing date, purchase price, amount of debt, and payment terms, and we have determined that the purchase price and payment terms of the transfer will not adversely affect your Studio;

(3) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates and our and their owners, officers, directors, employees, and agents, and (ii) covenants that you and your transferring owners agree to satisfy all post-termination obligations under this Agreement;

(4) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer, including that you have paid all Royalties, Marketing Fund Contributions, and other amounts owed to us, our affiliates, and third-party suppliers, and have submitted all required reports and statements;

(5) the transferee and its Managing Owner and/or Operations Manager, as applicable, satisfactorily complete our then-current Operations Training;

(6) if the proposed transfer (including any assignment of the Lease or subleasing of the Premises) requires notice to or approval from your landlord, or any other action under the terms of the Lease, you have taken such appropriate action and delivered us evidence of the same;

(7) the transferee must (if the transfer is of this Agreement or your Studio), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fund Contribution; provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining Term;

(8) the transferee must (if the transfer is of an ownership interest in you or your owners), and/or any other parties that are direct or indirect owners of the transferee must (if the transfer is of this Agreement or your Studio), sign our then-current form of guaranty, agreeing to be personally bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us;

(9) you or the transferee pays us a transfer fee equal to: (i) \$5,000 for the transfer of a non-controlling ownership interest in your Entity, or if you have entered into this Agreement as an individual, the transfer of this Agreement to an Entity that is wholly-owned and controlled by you; (ii) \$25,000 for transfers in which the transferee is a current franchisee; or (iii) \$50,000 for all other transfers; and you agree to pay 50% of the transfer fee when you submit your application for approval of the transfer, and the remaining 50% of the transfer fee before the transfer is completed;

(10) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Studio are subordinate to the transferee's obligation to pay Royalties, Marketing Fund Contributions, and other amounts due to us, our affiliates, and third-party suppliers to the Studio and otherwise to comply with this Agreement;

(11) you have corrected any existing deficiencies of your Studio of which we have notified you, and/or the transferee agrees to upgrade, remodel, and refurbish your Studio in accordance with our then-current requirements and specifications for Studios within the time period we specify following the date of the transfer and the transferee agrees to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment; and

(12) you provide us the evidence we reasonably request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of the Studio, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements.

We may review all information regarding your Studio that you give the transferee, correct or supplement any information that we believe is inaccurate or incomplete, and give the transferee copies of any reports that you have given us or we have regarding your Studio.

Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Studio's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

D. YOUR DEATH OR DISABILITY.

On the death or disability of you (or if you are an Entity, any of your owners), such person's executor, administrator, conservator, guardian, or other representative must transfer such person's interest in this Agreement, the Studio, or ownership interest in you, to a third party (which may be such person's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section (except that any transferee that is the spouse or immediate family member of the deceased, will not have to pay the transfer fee described in Section 13.C(9) if the transfer meets all the other conditions in Section 13.C, and the transferee reimburses us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable attorneys' fees). The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent such person from fulfilling such person's respective duties under this Agreement, as applicable. In the event of the death of you (if you are an individual) or your Managing Owner (if you are an Entity), if your Studio is not otherwise being managed by an Operations Manager, the deceased person's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager who we approve and who has completed our then-current Operations Training to supervise the day-to-day operations of your Studio under the terms of this Agreement. If your Studio is not being managed properly at any time, in our sole judgment, we may, but need not, operate the Studio on an interim basis (or appoint a third party to operate the Studio on an interim basis) in accordance with Section 15.C.

E. EFFECT OF CONSENT TO TRANSFER.

Our consent to a transfer is not, and may not be relied upon by any party as, a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand full compliance by you and the transferee with this Agreement.

F. OUR RIGHT OF FIRST REFUSAL.

If you or any of your owners at any time decide to sell any of the following: (i) this Agreement (or any interest in this Agreement); (ii) your Studio (or any right to receive all or a portion of your Studio's profits or losses or capital appreciation); (iii) substantially all of the assets of your Studio; or (iv) any direct or indirect ownership interest in you, you agree to obtain a bona fide executed written offer, relating to the proposed transfer from a responsible and fully disclosed buyer and send to us a true and complete copy of that written offer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to 5% or more of the offering price. We may also require you to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

Within 30 days after we receive an exact copy of the bona fide offer and all relevant information we request, we may, by written notice delivered to you or your selling owner(s), elect to purchase the interest offered for the price and on the terms and conditions contained in the offer. We may substitute cash and cash equivalents for any non-cash form of payment proposed in the offer. If we exercise our right of first refusal, we will have 30 days from the date we notified you of our intended purchase to prepare for closing. You and your owners must make all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable (including that the items sold are free and clear of all liens), and you and your selling owner(s) (and your and their immediate family members) must comply with the obligations regarding Competitive Businesses as though this Agreement

had expired on the date of the purchase. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in Sections 13.B and 13.C above. If you do not complete the sale to the proposed buyer within 60 days after either we notify you that we do not intend to exercise our right of first refusal or the time our exercise expires, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

14. **EXPIRATION OF THIS AGREEMENT.**

A. **YOUR RIGHT TO RENEWAL.**

Upon expiration of the Term, you may acquire two (2) renewal franchises of five (5) years, if you satisfy the following conditions:

- (1) you must have given us written notice of your election to renew not less than 180 days and not more than 240 days before this Agreement expires;
- (2) you must have taken, at your expense, all steps identified by us to bring your Studio into full compliance with our then-current System Standards;
- (3) you and your owners and affiliates must be, and must have been throughout the Term, in compliance with your obligations under this Agreement and all other agreements with us and our affiliates;
- (4) you must pay us our renewal fee of \$10,000, which will be in lieu of any initial franchise fee otherwise required by that agreement;
- (5) you must meet our requirements then-applicable for approval of new franchisees;
- (6) you must present satisfactory evidence that you have the right to remain in possession of the Premises for the operation of your Studio for the full duration of the renewal term, and you must have obtained, maintained, and be in good standing with all necessary and applicable licenses and permits required for the operation of your Studio;
- (7) you and you owners must execute our then-current form of franchise agreement and related documents, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement and may include a higher Royalty, Marketing Fund Contribution, or Local Advertising Expenditure requirement, and the then-current franchise agreement will be modified to reflect, among other things, that your Studio is developed and operating and that the right to further renewal terms is as provided in this Section;
- (8) you and your owners must have executed and delivered to us a general release (in a form prescribed by us, as permitted by applicable law) of all claims against us and our affiliates, and each of our respective officers, directors, owners, partners, agents, representatives, independent contractors, servants, and employees, in their corporate and individual capacities, including claims arising under this Agreement or under federal, state, or local laws, rules, regulations, or orders;
- (9) you must remain in compliance with all provisions of this Agreement until the execution of the renewal franchise agreement; and

(10) we must be granting franchises for Studios in the state in which your Studio is located.

If you and/or your owners fail to meet the conditions set forth in this Section, you acknowledge that we are not required to offer you a renewal franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 15.B.

If you fail to provide us the written notice of renewal as required under this Section, or you notify us that you do not intend to renew your franchise for the Studio, or we notify you that we will not grant you a renewal franchise for the Studio, then you must immediately cease to sell Memberships.

B. GRANT OF A RENEWAL FRANCHISE.

If we agree to grant you a renewal franchise after we receive your notice that you wish to renew your franchise upon the expiration of the Term, our notice may describe certain remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Studio into compliance with then-applicable System Standards for new Studios, and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies. If our notice states that you must remodel your Studio and/or must cure certain deficiencies of your Studio or its operation as a condition to our granting you a renewal franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we may give you written notice of our decision not to grant a renewal franchise upon expiration of the Term, or to revoke any approval of such a renewal franchise we may have awarded. If you fail to notify us of your election to acquire a renewal franchise within the prescribed time period, we need not grant you a renewal franchise.

15. TERMINATION OF AGREEMENT.

A. BY YOU.

You may terminate this Agreement if you and your owners are in full compliance with this Agreement and we materially fail to comply with this Agreement, and (i) we fail to correct the failure within 30 days after you deliver written notice of the material failure to us, or (ii) if we cannot correct the failure within 30 days, we fail to give you reasonable evidence of our effort to correct the failure within a reasonable time. Your termination under this Section 15.A will be effective 30 days after you deliver to us the written notice of termination.

B. BY US.

We may terminate this Agreement, effective immediately upon delivery of written notice of termination to you, if:

(1) you or any of your owners or affiliates have made or make any material misrepresentation or omission in acquiring the franchise or operating your Studio;

(2) you fail to satisfy all of your development obligations specified in this Agreement, including obtaining our approval prior to opening your Studio, and open your Studio for business by the deadline specified in Section 3.C;

(3) you do not obtain lawful possession of a Premises we have approved and deliver to us a fully executed copy of the Lease and franchise lease rider we have approved for such Premises, in each case by the deadline set forth in Section 3.B;

- (4) you abandon or fail to actively operate your Studio for more than two consecutive days of operation or seven days of operation in the aggregate during any twelve-month period, or you provide us or any other party notice (written or oral) that you intend to permanently close or otherwise abandon the operation of your Studio;
- (5) you or any of your owners make or attempt to make any transfer in violation of Section 13;
- (6) you (or if you are conducting business as an Entity, your Managing Owner) and/or your Operations Manager (if applicable) do not satisfactorily complete the Operations Training in accordance with Section 5.A;
- (7) you or any of your owners are or have been convicted by a trial court of, or pleaded guilty or no contest to, an indictable or hybrid offense;
- (8) you, your Managing Owner, and/or your Operations Manager have acted inappropriately or abusively towards us or our representative, other franchisees, and/or customers on two or more occasions, whether in connection with your Studio under this Agreement and/or any other agreement with us or our affiliates;
- (9) you or any of your owners or affiliates fail to pay us or our affiliates any amounts due and do not correct the failure within 10 days after we deliver written notice to you;
- (10) you or any of your owners or affiliates fail to pay any third-party amounts owed in connection with owning or operating your Studio, including any lender, landlord, or supplier, and/or breach any other material obligation to any such third-party, and do not cure such failure within any cure period granted by such third-party;
- (11) you fail to maintain the insurance we require and do not correct the failure within 10 days after we deliver written notice to you;
- (12) an event of default occurs under the terms of your Lease, your Lease is terminated by either party thereto, or you otherwise lose the right to occupy the Premises, whether or not through any fault of yours;
- (13) you or any of your owners or affiliates knowingly make any unauthorized use or disclosure of any Confidential Information;
- (14) you violate any of your obligations under Section 7 (Proprietary Information) or Section 8 (Exclusive Relationship) of this Agreement;
- (15) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Studio in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within 72 hours after you receive notice from us or any other party, even if any applicable governmental authority issuing you notice of your failure has granted you a longer period of time to cure;
- (16) you create or allow to exist any condition in connection with your operation of your Studio that we reasonably determine to present an immediate health or safety concern for the Studio's customers or employees;

(17) you understate your Studio's Gross Sales three (3) times or more during the Term or by more than 3% on any one occasion;

(18) you or any of your owners make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you or any of your owners consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property;

(19) your Studio or any of its assets are attached, seized, subjected to a writ or distress warrant, or levied on, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of your Studio is not vacated within 30 days following the order's entry;

(20) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(21) you breach this Agreement on two or more occasions within any 12 consecutive month period, whether or not you correct the failures; or

(22) you or your owners breach any other provision under this Agreement, or any other agreement between you or any of your owners or affiliates, and us or our affiliates, and such breach has not been cured within 30 days after written notice from us.

In addition to our right to terminate this Agreement in accordance with this Section, we may also exercise any lesser remedies prior to such termination and during any period in which you must cure a default of the terms of this Agreement. These lesser remedies are in addition to our right to terminate this Agreement or to bring a claim for damages. You acknowledge that our taking of any or all such actions under this Section will not deprive you of the most essential benefits of this Agreement and will not constitute a constructive termination of this Agreement.

If you terminate this Agreement other than according to Section 15.A, the termination will be deemed a termination without cause and a breach of this Agreement

C. INTERIM OPERATIONS.

We have the right, but not the obligation, to enter the Premises and operate the Studio on an interim basis, or to appoint a third party to operate the Studio on an interim basis, if: (i) you abandon or fail actively to operate your Studio for more than two consecutive days of operation; (ii) at any time after the death or disability of you (if you are conducting business as an individual) or your Managing Owner (if you are conducting business as an Entity), your Studio is at any time not being managed as required under this Agreement; or (iii) this Agreement expires or is terminated and we are transitioning your Studio operations to us or another person we designate, or determining whether to do so.

If we elect to operate your Studio on any interim basis, you must cooperate with us and our designees, continue to support the operations of the Studio, and comply with all of our instructions and System Standards, including making available any and all books, records, and accounts. You understand and acknowledge that during any such interim period, you are still the owner of the Studio, and you continue to bear sole liability for any and all accounts payable, obligations, and/or contracts, including all obligations under the Lease and all obligations to your vendors, employees, and contractors, and any and all sales tax, income tax, and other taxes and charges arising from the Gross Sales of the Studio, in each case unless and until we expressly assume them in connection with the purchase of the Studio under Section 16.D. If we or

our designee operate the Studio on an interim basis, you acknowledge that we or our designee will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any supplies, products, or other assets or services your Studio purchases, while we or our designee manage it. You understand that we are not required to use your employees, vendors, or contractors to operate the Studio. You also agree that we may elect to cease such interim operations of the Studio at any time with notice to you.

During any time period that we elect to operate your Studio on any interim basis, we will collect the Gross Sales of the Studio in an account we designate, which may be your business account and/or the business account of us or one of our affiliates or designees. We will account for and deduct from such Gross Sales all operating expenses of the Studio, including: (i) any applicable Royalty, Marketing Fund Contributions, and other amounts due to us or our affiliates, and (ii) any and all of our and our affiliates' and our designees' costs and expenses arising from such interim operations, including the salary of our personnel as well as travel, lodging, meals, and related expenses, which you agree to reimburse in full as an operating expense of the Studio. Any and all Gross Sales that exceed the expenses of the Studio during the period of interim operations, as we determine and calculate, will be retained by us in full and will become our property, as consideration for the interim operations that we are providing under this Section. If the Gross Sales derived from operations of the Studio is less than the amount of the associated expenses during the time of any interim operations, you are solely directly responsible for the balance of all such expenses and costs, including reimbursement of our and our affiliates' and designee's costs and expenses, and payment of any Royalty, Marketing Fund Contributions, and other amounts due to us or our affiliates. We may collect any amounts owed to us, our affiliates, or designees directly from any collected Gross Sales, and/or pay over such amounts to us, our affiliates, or designees in any manner we see fit.

Our decision to operate the Studio on an interim basis will not affect our right to terminate this Agreement under Section 15.B. Your indemnification obligations set forth under Section 17.C will continue to apply during any period that we or our designee operate the Studio on an interim basis.

16. **RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.**

A. **PAYMENTS OF AMOUNTS OWED TO US.**

You agree to pay us the Royalties, Marketing Fund Contributions, interest and late fees, and all other amounts owed to us and our affiliates within 15 days after this Agreement expires or is terminated, calculated as of the date of payment. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you, your owners or your affiliates. You acknowledge that termination or expiration of this Agreement does not affect your liability for amounts you or your owners or affiliates owe any third-parties or creditors and we do not assume any such liabilities.

B. **LOST REVENUE DAMAGES.**

If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, and that the Marketing Fund would have otherwise derived from your continued contributions to those funds, through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the "**Lost Revenue Damages**"), is an amount equal to the net present value of the Royalties and Marketing Fund Contributions that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (i) 24 months following the date of termination, or (ii) the scheduled expiration of the Term. For the purposes of this Section, Royalties and Marketing Fund Contributions will be calculated based on the average monthly Gross Sales of your Studio during the 12 full calendar months immediately preceding the last date of regular operations of your Studio in accordance with this Agreement;

provided, that if as of the termination date, your Studio has not been operating for at least 12 months, Royalties and Marketing Fund Contributions will be calculated based on the average monthly Gross Sales of all Studios operating under the Marks during the our fiscal year immediately preceding the termination date. You agree to pay us Lost Revenue Damages within 15 days after this Agreement is terminated. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement.

C. DE-IDENTIFICATION.

Upon termination or expiration of this Agreement, you and your owners must immediately:

(1) close the Studio for business to customers and cease to directly or indirectly sell any products and services of any kind and in any manner from the Studio and/or using the Marks, unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 16.D;

(2) cease to directly or indirectly use any Mark, any colorable imitation of a Mark, any other indicia of a Studio, or any trade name, trade-mark, service mark, or other commercial symbol that indicates or suggests a connection or association with us, in any manner or for any purpose;

(3) cease to directly or indirectly identify yourself or your business as a current or former Studio or as one of our current or former franchise owners (except in connection with other Studios you operate in compliance with the terms of a valid Franchise Agreement with us) and take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) if we do not exercise our option to purchase the Studio, promptly and at your own expense, remove all materials bearing our Marks and remove from both the interior and exterior of the Premises all materials and components of our trade dress as we determine to be necessary to avoid any association between the Premises and our System or that would, in any way, indicate that the Premises are or were associated with our brand or the System;

(5) cease using and, at our direction, either disable or transfer, assign, or otherwise convey to us full control of all Contact Information and Online Presences that you used to operate your Studio or that displays any of the Marks or any reference to the System (provided that all liabilities and obligations arising from any such Contact Information or Online Presence prior to the date of the transfer, assignment or conveyance to us will remain your sole responsibility in all respects, and any costs we incur in connection therewith will be indemnifiable under Section 17.C);

(6) turn over to us copies of all Liability Waivers and Membership Agreements signed by customers of your Studio, and copies of all Membership Information;

(7) return to us or destroy (as we require) all items, forms, and materials containing any Mark or otherwise identifying or relating to a Studio, including copies of any and all Confidential Information (including the Operations Manual and any and all customer data); and

(8) comply with all other System Standards we establish from time to time (and all applicable laws) in connection with the closure and de-identification of your Studio, including as it relates to disposing of Personal Information, in any form, in your possession or the possession of any of your employees.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Studio. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to effect the foregoing purposes.

D. OUR RIGHT TO PURCHASE YOUR STUDIO ASSETS.

We have the option to purchase any or all of the assets of your Studio, including your Premises (if you or one of your owners or affiliates owns the Premises) upon the termination or expiration of this Agreement. We may exercise this option by giving you written notice within 30 days after the date of such termination or expiration. We have the unrestricted right to assign this option to purchase. If we purchase your Studio and/or the Premises, we are entitled to all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances; validity of contracts and agreements; and liabilities, contingent or otherwise.

You agree, at our election to (i) assign your Lease to us or our designee, (ii) enter into a sublease with us or our designee for the remainder of the Lease term on the same terms (including renewal options) as the Lease, or (iii) if you own the Premises, lease the Premises to us or our designee for an initial term of five years with up to three additional terms of five years each, on commercially reasonable terms that we approve.

We or our designee will pay the purchase price for the Studio and/or Premises (calculated as described below) at the closing, which will take place not later than 60 days after the purchase price is determined, although we or our designee may decide after the purchase price is determined not to purchase your Studio and/or the Premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates. At the closing, you agree to deliver to us or our designee: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all taxes paid by you, including sales, goods and services, harmonized sales, use, value added, retailer's excise, or similar taxes; (ii) any and all of your Studio's licenses or permits which may be assigned or transferred; (iii) your rights under any and all Liability Waivers, Membership Agreements, or other agreements, instruments, or waivers with any customers or members of your Studio; and (iv) the ownership interest or leasehold interest (as applicable) in the Premises and improvements or a lease assignment or lease or sublease, as applicable.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our owners, officers, managers, employees, agents, successors, and assigns.

Subject to the provision below relating to the purchase price of Pilates reformers, if we purchase any or all other assets of your Studio upon termination or expiration of this Agreement, the purchase price for such assets will be their reasonable fair market value, provided that no value will be attributed to the rights granted by this Agreement, any goodwill attributable to our Marks, brand image, other intellectual property, any participation in the network of Studios, and/or any other value of your business as a going concern. If we and you cannot agree on fair market value, fair market value will be determined by two independent accredited appraisers, one of whom is selected by us and one of whom is selected by you, which appraisers will be bound by the criteria for the purchase price described above. If the fair market values determined by the two independent accredited appraisers are within 10% of one another, the

purchase price will be the average of the two values. If the fair market values determined by the two independent accredited appraisers are not within 10% of one another, the two independent accredited appraisers will select a third independent accredited appraiser to calculate the fair market value of the assets. If a third independent accredited appraiser is appointed, the purchase price for the assets will be the average of the value calculated by the third independent accredited appraiser and whichever value of the two previous appraisals is closest to the third appraised value. You and we will pay all costs and expenses associated with the independent accredited appraiser that you and we choose, respectively, and will share equally the appraisers' fees and expenses for any third independent accredited appraiser, if applicable. Each appraiser must complete its appraisal within 30 days after its appointment

If we exercise the option to purchase your Pilates reformers upon termination or expiration of this Agreement, you agree that the purchase price per reformer will be: (i) \$5,000 per reformer, if the purchase occurs fewer than two years after the Opening Date; (ii) \$2,000 per reformer, if the purchase occurs two or more years but fewer than four years after the Opening Date; and (iii) \$500 per reformer, if the purchase occurs four or more years after the Opening Date. If we elect to purchase any or all of your Pilates reformers and not the other assets of your Studio, you must use your best efforts to ensure that such reformers are in good and working condition, and to package and ship such equipment to the address we specify, with due care. You will be solely responsible for all shipping and/or transportation costs incurred in shipping the reformers and any related equipment to us. You further agree that you are solely responsible for any loss of value that occurs during transit, including, but not limited to, damage to the reformer itself or any related equipment.

E. COVENANT NOT TO COMPETE.

For two years beginning on the effective date of termination or expiration of this Agreement, you (and if you are conducting business as an Entity, each of your owners) agree not to and to cause each of your respective spouses, immediate family members, affiliates, successors, and assigns not to have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating (i) at the Premises or within a 10-mile radius of the Premises, or (ii) within a 10-mile radius of any other Studio operated by us, our affiliates, or any franchisee of us or our affiliates.

If any person restricted by this Section fails to comply with these obligations as of the date of termination or expiration, the two-year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living.

The restrictions in this Section will also apply after any transfer, to the transferor and its owners, for a period of two years beginning on the effective date of the transfer, with the force and effect as though this Agreement had been terminated for such parties as of such date.

F. MEMBERSHIP OBLIGATIONS.

Upon termination or expiration, you must deliver to us in the format we require all Membership Information for your Studio and notify all such customers and members immediately that your Studio will cease to operate, in a manner that we have approved. You may not notify your customers of any pending or actual closure of your Studio, and/or termination or expiration of this Agreement, without our approval, including our approval of the timing, contents, and distribution methods. We may contact any customers of your Studio and offer such members continued rights to use one or more other Studios on such terms and conditions we deem appropriate, which in no event will include assumption of any then-existing liability

arising out of or relating to any Membership Agreement or act or failure to act by you or your Studio. If members of your Studio are legally entitled to full or partial refund of any monies paid to you, you will refund such monies promptly and in full and will cooperate with us to preserve goodwill with such members. If you fail to refund your members as required pursuant to this Section, we reserve the right to refund such members in order to preserve goodwill and prevent damage to the Marks, and you will reimburse us for all amounts we refund to members of your Studio.

G. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. Without limiting the generality of the foregoing, the parties expressly acknowledge that each of the following provisions of this Agreement will survive this Agreement's expiration or termination: Section 7 (Proprietary Information); Section 8.B (Non-Interference); Section 8.C (Non-Disparagement); Section 9.M (Information Security); Section 16 (Rights and Obligations Upon Termination or Expiration); Section 17 (Relationship of the Parties/Indemnification); and Section 18 (Enforcement).

17. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

You and we understand and agree that each of us is an independent business and that you and we are and will be independent contractors. This Agreement does not create a fiduciary relationship between you and us, and nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously to all persons (including customers, suppliers, public officials, and Studio employees) as your Studio's owner, and indicate clearly that you operate your Studio separately and independently from our business operations. You agree to place notices of independent ownership on all interior and exterior signage, forms, business cards, stationery, advertising, and other materials that we may require from time to time. You may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in our name or on our behalf or represent that your and our relationship is anything other than franchisor and franchise owner.

We have no right or duty to direct your employees in the course of their employment for you. You are solely responsible for the terms and conditions of employment of your employees. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement.

B. NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.

We and you may not make any express, implied or collateral agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement.

Any and all amounts expressed as being payable to us pursuant to this Agreement are exclusive of applicable taxes. Accordingly, if applicable, all payments by you to us will, in addition, include an amount equal to any and applicable taxes, assessments or amounts of a like nature imposed on any payments to be made pursuant to this Agreement. We will have no liability for any sales, occupation, excise, gross revenue, income, property, or other applicable taxes, whether levied on you or your Studio, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and if we pay any taxes

to any state or federal taxing authority on account of either your operation or payments that you make to us (except for our income taxes), or any expenses we incur in reviewing, paying or disputing such taxes, such amounts will be subject to indemnification under Section 17.C.

C. **INDEMNIFICATION.**

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assigns (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly: (i) arising out of your Studio and/or the business you conduct under this Agreement, (iii) arising out of your breach of this Agreement, and/or (iv) instituted by your employees, or by others that arise from your employment practices; provided, that you will not be required to indemnify any such Indemnified Party for any claims if (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction, For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination or rescission. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section.

18. **ENFORCEMENT.**

A. **COSTS AND ATTORNEYS’ FEES.**

The prevailing party in any arbitration or litigation shall be entitled to recover from the other party all damages, costs, and expenses, including arbitration and court costs and reasonable attorneys’ fees, incurred by the prevailing party in connection with such arbitration or litigation.

B. **ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (i) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (ii) our relationship with you; (iii) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (iv) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “**AAA**”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our, or as applicable, our successor’s or assign’s then-current principal place of business (currently, San Diego, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C.

§§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this arbitration provision, and in any action in which a party seeks to enforce compliance with this arbitration provision, the prevailing party shall be awarded its costs and expenses, including attorneys' fees, incurred in connection therewith.

In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

Arbitration proceedings will be conducted on an individual basis. no arbitration proceeding may be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on behalf of any party by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

C. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM

ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT (OR ANY OTHER AGREEMENT BETWEEN US AND OUR AFFILIATES, AND YOU AND YOUR AFFILIATES), THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

D. CONSENT TO JURISDICTION.

Subject to Section 18.B above and the provisions below, we and you agree that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, San Diego, California), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are or your Studio is located.

E. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

Except for your obligation to indemnify us for third party claims under Section 17.C, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive OR exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action or proceeding brought by either of us.

F. INJUNCTIVE RELIEF.

Nothing in this Agreement, including the provisions of Section 18.A and 18.B, bars our right to obtain specific performance of the provisions of this Agreement and injunctive or other equitable relief against threatened conduct that will cause us, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

G. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers.

H. LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT (OR ANY OTHER AGREEMENT BETWEEN US AND OUR AFFILIATES, AND YOU AND YOUR AFFILIATES), THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE

RELATIONSHIP BETWEEN US AND YOU, WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

19. **MISCELLANEOUS.**

A. **BINDING EFFECT.**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual, System and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly authorized officers.

B. **RIGHTS OF PARTIES ARE CUMULATIVE.**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

C. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each provision of this Agreement is severable, and if any part of this Agreement is held to be invalid or contrary to or in conflict with any applicable present or future law, ordinance or regulation for any reason (in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction), that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law, ordinance, rule, or regulation of any jurisdiction requires more notice of this Agreement's termination or of our refusal to enter into a renewal franchise agreement than this Agreement requires, or some other action that this Agreement does not require, or any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law, ordinance, rule or regulation will be substituted for the comparable provisions of this

Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

D. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction on the other under this Agreement, effective on delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist on the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Studios; the existence of franchise agreements for other Studios which contain different provisions from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which will have no effect.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

E. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Studio. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in any Franchise Disclosure Document.

The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs. Other than as expressly set forth herein, nothing in this Agreement is intended or deemed to confer any rights or remedies on any person or entity not a party to this Agreement.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term "**affiliate**" means any person or Entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term "**control**" means the power to direct or cause the direction of management and policies. The use of the term "**including**" in this Agreement, means in each case "including, without limitation."

If two or more persons are at any time the owners of your Studio, whether as partners or joint venturers, or are your guarantors, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Studio or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement or your Studio and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. The term “person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. The term “your Studio” includes all of the assets of the Studio you operate under this Agreement, including its revenue and the Lease.

F. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered by the earlier of the time actually delivered or as follows: (i) at the time delivered via electronic transmission, (ii) one business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or (iii) three business days after placement in United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

Any notice that we send to you by electronic means will be deemed delivered if it is delivered to the email address of the Managing Owner listed on Exhibit A or any other email address your Managing Owner has notified us of, and/or any branded email address we issue your Managing Owner that is associated with a System Website.

Any required payment or report which we do not actually receive during regular business hours on the date due will be deemed delinquent.

G. PROHIBITED PARTIES.

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (i) the U.S. Treasury Department’s List of Specially Designated Nationals, (ii) the U.S. Commerce Department’s Denied Persons List, Unverified List, Entity List, or General Orders, (iii) the U.S. State Department’s Debarred List or Nonproliferation Sanctions, or (iv) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

H. EXECUTION.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

PILATES REPUBLIC FRANCHISING LLC,
a California limited liability company

FRANCHISE OWNER:

By: _____
Name: _____
Title: _____
Date: _____

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

ENTITY INFORMATION

1. **Form.** You operate as a(n): _____ (individual/sole proprietorship), _____ (corporation), _____ (limited liability company), or _____ (partnership) (*CHECK ONE*).

2. **Formation:** You were formed on _____ (*DATE*), under the laws of the State of _____ (*JURISDICTION*).

3. **Management:** The following is a list of your directors, officers, managers, or anyone else with a management position or title:

<u>Name of Individual</u>	<u>Position(s) Held</u>

4. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary):

<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>

5. **Managing Owner:**

Name: _____

E-Mail Address: _____

6. **Operations Manager (if applicable):** _____

[Signature Page Follows]

PILATES REPUBLIC FRANCHISING LLC,
a California limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT

PREMISES; SITE SELECTION AREA; TERRITORY

1. The Premises is:

2. The Site Selection Area is:

OR the following map shows and/or describes the boundaries of the Site Selection Area:

3. The Territory is:

OR the following map shows and/or describes the boundaries of the Territory:

[Signature Page Follows]

As acknowledged and agreed as of the Effective Date and/or to be updated and signed by us and you once the Premises is approved and secured, and the Territory is agreed to by the parties:

PILATES REPUBLIC FRANCHISING LLC,
a California limited liability company

FRANCHISE OWNER:

[Name]

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (“Guaranty”) is given by the persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement executed concurrently herewith (as amended, restated, or supplemented, the “**Agreement**”) by and between **Pilates Republic Franchising LLC** (the “**Franchisor**”), and _____ (“**Franchisee**”), each Guarantor hereby personally and unconditionally (i) guarantees to Franchisor, and its successor and assigns that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed, and (iv) any right such Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that:

(a) Franchisor may proceed against any Guarantor and/or Franchisee, jointly and severally, including by proceeding against Guarantor, without having commenced any action, or having obtained any judgment against any other Guarantor or Franchisee;

(b) Guarantor will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses punctually to do so;

(c) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement;

(d) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement, and any and all provisions that by their terms apply to owners of Franchisee;

(e) At Franchisor’s request, Guarantor agrees to provide the updated financial information to us as may be reasonably necessary to demonstrate his or her ability to satisfy the obligations of the franchise owners under the Agreement;

(f) This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither Guarantor's obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for enforcement will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement;

(g) Guarantor agrees to pay all costs and expenses (including attorneys' fees) incurred by Franchisor or any of its affiliates in connection with the enforcement of this Guaranty, including any collection or attempt to collect amounts due, or any negotiations relative to the obligations hereby guaranteed; and

(h) Guarantor agrees to be personally bound by the dispute resolution provisions under Article 18 of the Agreement, including the obligation to submit to binding arbitration the claims described in Section 18.B of the Agreement in accordance with its terms.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guarantee is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his signature to be effective as of the Effective Date.

GUARANTOR(S)	SPOUSE(S)
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____

EXHIBIT D
TO THE FRANCHISE AGREEMENT

RIDER TO LEASE AGREEMENT

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the “**Lease**”), between _____ (“**Tenant**”) and _____ (“**Landlord**”), for the real property described therein (the “**Premises**”). The provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate a “Pilates Republic” studio (a “**Studio**”) in the Premises, and that Tenant's rights to operate a Studio and to use the Pilates Republic name, trademarks, and service marks (the “**Marks**”) are solely pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and Pilates Republic Franchising LLC (“**Franchisor**”). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Landlord agrees not to take an action that would prohibit Tenant from operating the Studio, as contemplated by the Franchise Agreement, at the Premises.

2. Consent to Collateral Assignment to Franchisor. Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's, and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord agrees that to the extent Franchisor becomes Tenant, for howsoever brief a period, upon assumption of lease pursuant to this provision, that simultaneously with any subsequent assignment to another party, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment; provided, that neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor, unless otherwise agreed by Landlord.

3. Tenant's Signage. Landlord agrees to allow Tenant to use Franchisor's standard interior and exterior signage and designs to the maximum extent permitted by local governmental authorities. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located and shall be permitted to install a standard sign thereon approved by Franchisor, including without limitation Franchisor's logo. Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law.

4. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for such default to cure such defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant,

but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows: Pilates Republic Franchising LLC, 2654 Del Mar Heights Road, San Diego, California 92014.

5. Non-Disturbance from Mortgage Lenders. It shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt, or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease and the Franchise Agreement, beyond an applicable grace or cure period provided therein.

6. Fixtures and Signage. Any lien of Landlord in Tenant's trade fixtures, 'trade dress', signage, and other property at the Premises is hereby subordinated to Franchisor's interest in such items as described in the Franchise Agreement. On request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

7. Third Party Beneficiary. Franchisor is a third-party beneficiary of the terms of this Rider, or any other terms of the Lease applicable to Franchisor's rights under the Lease, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

8. Franchisor Right to Enter. Landlord acknowledges and agrees that Franchisor or its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the Studio's operations, to operate the Tenant's business on any interim basis under certain circumstances (to-wit: if Franchisee abandons operations; and/or while Franchisor evaluates its right to purchase the location), or to remove any trade fixtures or signage upon termination or expiration of the Franchise Agreement. If Franchisor enters the Premises for any such purposes, it will do so without assuming any liability under the Lease.

9. Amendments. Tenant agrees that neither the Lease nor this Rider may be amended by the parties thereto without the prior written consent of Franchisor.

10. Successors and Assigns. All rights of Franchisor shall inure to its benefit and to the benefit of its successors and assigns. Franchisor may assign its rights under this Rider to any designee. All provisions in this Rider applicable to Tenant and Landlord will be binding on any successor or assign of Tenant or Landlord under the Lease.

11. Execution. This Rider may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement with the Lease. This Rider and all other documents related to this Rider may be executed by manual or electronic signature.

[Signature Page Follows]

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD

TENANT

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT E
TO FRANCHISE AGREEMENT

REPRESENTATIONS STATEMENT

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED IN, YOUR STUDIO WILL BE LOCATED IN, OR THE FRANCHISE GRANTED IS SUBJECT TO THE FRANCHISE REGISTRATION OR DISCLOSURE LAWS IN: CALIFORNIA, ILLINOIS, INDIANA, MICHIGAN, MINNESOTA, OR WISCONSIN.

The purpose of this Statement is to demonstrate to **PILATES REPUBLIC FRANCHISING LLC**, a California limited liability company (“**Franchisor**”) that the person(s) signing below (“**I**,” “**me**” or “**my**”), whether acting individually or on behalf of any legal entity established to acquire the development and/or franchise rights (“**Franchisee**”), (i) fully understands that the purchase of a *Pilates Republic* franchise is a significant long-term commitment, complete with its associated risks, and (ii) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s franchise disclosure document and exhibits (collectively, the “**FDD**”). In that regard, each undersigned hereby represents to Franchisor and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the marketplace generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p>	<p>INITIAL:</p>
<p>I acknowledge that I have had the opportunity to personally and carefully review the FDD and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>
<p>I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

INITIAL:

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

Yes No (Initial Here: _____)

If you selected "Yes," please describe the information you received on the lines below:

_____.

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of Franchisee

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of Franchisee

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of Franchisee

ATTACHMENT F
TO FRANCHISE AGREEMENT

STATE-SPECIFIC RIDERS

The following are additional disclosures for the Franchise Agreement of Pilates Republic Franchising LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise law applies to you.

The following provision applies if you or the franchise granted hereby are subject to the franchise laws in **California, Illinois, Indiana, Michigan, Minnesota, or Wisconsin**: 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.

ILLINOIS

The following provisions are annexed to and form part of this Agreement if and only if, and in such case to the extent that: (a) you are domiciled in the State of Illinois or (b) the offer of the franchise is made or accepted in the State of Illinois and your franchised business is or will be operated in the State of Illinois.

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 following language is added to the end of the Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

MINNESOTA

The following provisions are annexed to and form part of this Agreement if and only if, and in such case to the extent that: (a) your franchised business will be operated wholly or partly in Minnesota; and/or (b) you are either a resident of, domiciled in, or actually present in Minnesota.

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 following is added to the end of Section 4.H of the Agreement:

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

3. The following is added to the end of Section 6.D of the Agreement:

Provided you have complied with all provisions of the Agreement applicable to the Marks, we will protect your rights to use the Marks and we will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec 80C.12 Subd. 1(g).

4. The following is added to the end of Sections 13.C(3), 14.A(8), and 16.D of the Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

5. The following is added to the end of Sections 14.A and 15 of the Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

6. The following language is added to the end of Section 16.B of the Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

7. The following is added to Section 18.F of the Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

8. The following is added to the end of Section 18.H of the Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. Notwithstanding anything to the contrary contained in the Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this State-Specific Rider to be effective as of the Effective Date.

PILATES REPUBLIC FRANCHISING LLC,
a California limited liability company

FRANCHISE OWNER:

[Name]

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT C

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PILATES REPUBLIC®

FRANCHISE OPERATIONS & TRAINING MANUAL

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Pilates Republic® Heartbeat Onboarding Training Manual (45 pages – Standalone) Separate Volume

Pilates Republic® Instructor Training Manual (500 pages – Standalone) Separate Volume

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EXHIBIT D

LIST OF CURRENT AND FORMER FRANCHISEES

**FRANCHISED OUTLETS
AS OF DECEMBER 31, 2024**

None.

**FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED
AS OF DECEMBER 31, 2024**

None.

**FRANCHISEES WHO HAVE LEFT THE SYSTEM
DURING THE FISCAL YEAR ENDED DECEMBER 31, 2024**

None.

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

EXHIBIT E
FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Pilates Republic Franchising, LLC

Statements of Operations and Member's Equity (unaudited)

For the Periods from January 1, 2025 to October 31, 2025

	<u>October 31, 2025</u>
Revenues	\$ -
Operating Expenses	(113,935)
Operating Loss	<u>(113,935)</u>
Income Taxes	-
Net Loss	<u>(113,935)</u>
Member's Equity, Beginning	-
Cash Contributions	500,000
Noncash Contributions	33,987
Net Loss	(113,935)
Member's Equity, Ending	<u><u>\$ 420,052</u></u>

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Pilates Republic Franchising, LLC

Balance Sheets (unaudited)

October 31, 2025 and December 31, 2024

	<u>October 31, 2025</u>	<u>December 31, 2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 457,426	\$ -
Total Current Assets	<u>457,426</u>	<u>-</u>
Total Assets	<u><u>\$ 457,426</u></u>	<u><u>\$ -</u></u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 37,374	\$ -
Total Current Liabilities	<u>37,374.00</u>	<u>-</u>
Member's Equity		
Member's Contribution	500,000	
Member's Noncash Contribution	33,987	
Net Loss	(113,935)	
Total Member's Equity	<u>420,052</u>	
Total Liabilities & Member's Equity	<u><u>\$ 457,426</u></u>	<u><u>\$ -</u></u>

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

AUDITED FINANCIAL STATEMENTS

Pilates Republic Franchising, LLC

Financial Statements

April 10, 2025 and December 31, 2024

Pilates Republic Franchising, LLC

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April 10, 2025 and December 31, 2024

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Independent Auditors' Report

To the Member of
Pilates Republic Franchising, LLC

Opinion

We have audited the financial statements of Pilates Republic Franchising, LLC (the Company), which comprise the balance sheets as of April 10, 2025 and December 31, 2024, and the related statements of operations and member's equity and cash flows for the periods from January 1, 2025 to April 10, 2025 and August 15, 2024 (Inception) to December 31, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of April 10, 2025 and December 31, 2024, and the results of its operations and its cash flows for the periods from January 1, 2025 to April 10, 2025 and August 15, 2024 (Inception) to December 31, 2024, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 GAAP, 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Company'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 the Company'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Los Angeles, California
June 13, 2025

Pilates Republic Franchising, LLC

Balance Sheets

April 10, 2025 and December 31, 2024

	<u>April 10, 2025</u>	<u>December 31, 2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 500,000	\$ -
Total current assets	<u>500,000</u>	<u>-</u>
Total assets	<u><u>\$ 500,000</u></u>	<u><u>\$ -</u></u>
Member's Equity		
Member's Equity	<u><u>\$ 500,000</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

Pilates Republic Franchising, LLC

Statements of Operations and Member's Equity

For the Periods from January 1, 2025 to April 10, 2025 and August 15, 2024 (inception) to December 31, 2024

	<u>April 10, 2025</u>	<u>December 31, 2024</u>
Revenues	\$ -	\$ -
Operating Expenses	<u>-</u>	<u>17,270</u>
Operating Loss	-	(17,270)
Income Taxes	<u>-</u>	<u>-</u>
Net Loss	-	(17,270)
Member's Equity, Beginning	-	-
Contributions	<u>500,000</u>	<u>17,270</u>
Member's Equity, Ending	<u><u>\$ 500,000</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

Pilates Republic Franchising, LLC

Statements of Cash Flows

For the Periods from January 1, 2025 to April 10, 2025 and August 15, 2024 (inception) to December 31, 2024

	<u>April 10, 2025</u>	<u>December 31, 2024</u>
Cash Flows from Operating Activities		
Net loss	\$ -	\$ (17,270)
Adjustments to reconcile net loss to cash used in operating activities:		
Contribution of startup cost	-	17,270
Net cash used in operating activities	-	-
Cash Flows from Financing Activities		
Contribution from member	500,000	-
Net cash provided by financing activities	500,000	-
Net increase in cash and cash equivalents	500,000	-
Cash and Cash Equivalents, Beginning	-	-
Cash and Cash Equivalents, Ending	<u>\$ 500,000</u>	<u>\$ -</u>
Supplemental Disclosures of Noncash Financing Activities		
Noncash contribution from member	<u>\$ -</u>	<u>\$ 17,270</u>

See notes to financial statements.

Pilates Republic Franchising, LLC

Notes to Financial Statements

April 10, 2025 and December 31, 2024

1. Nature of Operations

Pilates Republic Franchising, LLC (the Company) was incorporated under the laws of the State of California on August 15, 2024 (Inception). The Company is wholly owned by a single member. The Company was formed to franchise fitness studios that offer and provide pilates and other related exercise programs. The Company intends on entering into agreements with franchisees throughout the United States. The Company has not entered into any such agreements as of April 10, 2025.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. As of April 10, 2025 and December 31, 2024, the Company did not have any cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Franchise fee revenue from the sale of individual franchises will be recognized fully upon the completion of preopening performance obligations. Unrecognized nonrefundable fees collected in relation to the sale of franchises will be recorded as deferred franchise fee revenue.

In addition to franchise fee revenue, the Company expects to collect a royalty and marketing fee which is a percentage of gross sales from its future franchisees. Royalties and marketing fees will be recognized as revenue as the related sales are made by the future franchisees.

Income Taxes

As a single member LLC, the Company is considered a disregarded entity and the results of its operations will be filed with the Member's federal and state income tax returns. As such, the Company itself is typically not subject to an income tax liability as the taxable income or loss of the Company is passed through to Member. Therefore, no liability for federal income taxes has been included in the financial statements.

The Company accounts for uncertain tax positions in accordance with Accounting Standards Codification (ASC) No. 740, *Income Taxes*. ASC No. 740 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and required disclosures. The Company does not have any entity-level uncertain tax positions.

Pilates Republic Franchising, LLC

Notes to Financial Statements

April 10, 2025 and December 31, 2024

Shared Services

The Company receives certain management, administrative, and operational services from an affiliate entity. For the period from August 15, 2024 to December 31, 2024, the Company incurred \$12,078 of shared expenses which are included in the operating expenses in the accompanying statements of operations and member's equity. There were no shared expenses incurred for the period from January 1, 2025 to April 10, 2025.

Subsequent Events

The Company has evaluated subsequent events through June 13, 2025, the date that the financial statements were available to be issued.

3. Commitments and Contingencies

Litigation

The Company from time to time may be involved in claims and legal proceedings in the ordinary course of its business. In the opinion of management, the Company is adequately insured against such claims and any ultimate liability arising from such proceedings will not have a material adverse effect on the financial condition, operations or cash flows of the Company.

EXHIBIT F

SAMPLE GENERAL RELEASE

PILATES REPUBLIC FRANCHISING LLC

GENERAL RELEASE AGREEMENT

PILATES REPUBLIC FRANCHISING LLC (“we,” “us,” or “our”) and _____ (“you” or “your”) are currently parties to a certain franchise agreement (the “**Agreement**”) dated _____, 20___. You have asked us to take the following action or to agree to the following request: _____

_____. We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

You and your owners, jointly and severally, on behalf of themselves and their spouses and immediate family members, and each such foregoing person’s or entity’s respective affiliates, employees, owners, officers, directors, successors, assigns, spouses and immediate family members (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our current and former affiliates, parents, subsidiaries, franchisees, area developers, owners, agents, insurers and our and their respective affiliates, employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the “**Franchisor Parties**”), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, and known or unknown, suspected or unsuspected, whether at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date of this document (together, “**Claims**”), including any and all Claims in any way arising out of or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties. You and your owners, on your own behalf and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity.

IF THE STUDIO YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL

DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

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

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 *et seq*, governs the parties’ franchise relationship, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Minnesota Franchise Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this document on the date stated below.

**PILATES REPUBLIC FRANCHISING
LLC (“WE”),**
a California limited liability company

FRANCHISE OWNER (“YOU”):

[Name]

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT G

STATE SPECIFIC ADDENDA

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
PILATES REPUBLIC FRANCHISING LLC**

The following are additional disclosures for the Franchise Disclosure Document of Pilates Republic Franchising LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise law applies to you.

FOR THE FOLLOWING STATES: CALIFORNIA, ILLINOIS, INDIANA, MICHIGAN, MINNESOTA, OR WISCONSIN. 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.

CALIFORNIA

REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

3. OUR WEBSITE, www.PilatesRepublic.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT www.dfpi.ca.gov.

4. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

5. 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.

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

Neither we, our predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

7. The following is added at the end of Item 6:

The highest rate of interest allowed by California law is 10% annually.

8. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 *et seq.*).

Nothing in the Franchise Agreement will abrogate or reduce any of your rights under the California Franchise Investment Law and the California Franchise Relationship Act, or your rights to any procedure, forum or remedies that such laws provide.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

Under the Franchise Agreement, we reserve the right to require that franchisees comply with maximum and minimum prices we set for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the California's Cartwright Act (Cal. Bus. and Prof. Code Sections 16700 to 16770).

The Franchise Agreement requires binding arbitration. The arbitration will occur in San Diego, California with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Delaware. This provision might not be enforceable under California law.

9. The following is added at the end of Item 19:

The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

ILLINOIS

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 following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

MINNESOTA

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 following language is added at the end of Item 6:

The Item 6 line item entitled Lost Revenue Damages will not be enforced to the extent prohibited by applicable law.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

3. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by Governing Law with respect to claims arising under Minn. Rule 2860.4400D.

In compliance with Minnesota Statute 80C.17 Subd. 5, no action may be commenced pursuant to this section more than three years after the cause of action accrues

You cannot consent to us obtaining injunctive relief. You may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

4. The franchisor will protect the franchisee's rights 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. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Not Registered
Illinois	Pending
Indiana	January 5, 2026
Maryland	Not Registered
Michigan	Pending
Minnesota	Pending
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	January 5, 2026

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT H

RECEIPTS

**ITEM 23
RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Pilates Republic Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Pilates Republic Franchising LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, Pilates Republic Franchising LLC must provide this Disclosure Document at least 10 business 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.

If Pilates Republic Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Issuance date: December 31, 2025

The Franchisor is Pilates Republic Franchising LLC, located at 2654 Del Mar Heights Road, San Diego, California 92014. Its telephone number is (706) 846-4722. The franchise seller who offered you a Pilates Republic franchise is:

<input type="checkbox"/> Courtney Miller Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014	<input type="checkbox"/> _____ Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014	<input type="checkbox"/> _____ Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014
--	--	--

Pilates Republic Franchising LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated December 31, 2025, that included the following Exhibits:

Exhibit A — State Administrators/Agents for Service of Process	Exhibit E — Financial Statements
Exhibit B — Franchise Agreement	Exhibit F — Sample General Release
Exhibit C — Table of Contents to Operations Manual	Exhibit G — State Specific Addenda
Exhibit D — List of Franchisees	Exhibit H — Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:

If an individual:

Name of Entity

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Dated: _____

Dated: _____

Please sign this copy of the receipt and print the date on which you received this Disclosure Document, and return it by e-mail to Pilates Republic Franchising LLC at courtney@pilatesrepublic.com.

**ITEM 23
RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Pilates Republic Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Pilates Republic Franchising LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, Pilates Republic Franchising LLC must provide this Disclosure Document at least 10 business 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.

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<input type="checkbox"/> Courtney Miller Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014	<input type="checkbox"/> _____ Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014	<input type="checkbox"/> _____ Pilates Republic Franchising LLC 2654 Del Mar Heights Road San Diego, CA 92014
--	--	--

Pilates Republic Franchising LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated December 31, 2025, that included the following Exhibits:

Exhibit A — State Administrators/Agents for Service of Process	Exhibit E — Financial Statements
Exhibit B — Franchise Agreement	Exhibit F — Sample General Release
Exhibit C — Table of Contents to Operations Manual	Exhibit G — State Specific Addenda
Exhibit D — List of Franchisees	Exhibit H — Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:

If an individual:

Name of Entity

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Dated: _____

Dated: _____

You may keep this copy of the receipt for your own records.