

FRANCHISE DISCLOSURE DOCUMENT



Body and Brain Center, LLC
an Arizona limited liability company
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Body and Brain Center, LLC offers franchises for the operation of a home-based business that provides holistic health and healing programs to individuals and small groups and sells related products and subscription services. The total investment necessary to begin operation of a Body & Brain home-based franchise ranges from \$19,680 to \$36,300. This includes an amount ranging from \$12,950 to \$14,300 that must be paid to us and our affiliates.

The home-based franchises are no longer being offered to new franchisees. Only brick and mortar centers under a separate offering are being offered to new franchisees. However, existing home-based franchisees may elect to renew and transfer their existing home-based franchises.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 2812 N. Norwalk, 14-128, Mesa, AZ 85215 or call (480) 550-8644.

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

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

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

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 "J".
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 "K" 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 Body & Brain 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 Body & Brain franchisee?	Item 20 or EXHIBIT "J" 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 mediation, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arizona than in your own state.
2. **Turnover Rate**. During the last year, a high percentage of franchised outlets were transferred, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. **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.

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ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Definitions

To simplify the language in this Disclosure Document, “we,” “us” and “the Company” mean Body and Brain Center, LLC - the franchisor. “You” means the person or persons who buy a Body & Brain home-based franchise and act as the franchisee.

Corporate Information

Body and Brain Center, LLC is an Arizona limited liability company that was organized on December 12, 2007. Our principal business address is located at 2812 N. Norwalk, 14-128, Mesa, AZ 85215 and our telephone number is (480) 550-8644. Our agent for service of process is disclosed in EXHIBIT "B" to this Disclosure Document. We do not do business under any names other than “Body and Brain Center, LLC”.

Franchisor’s Business History and its Franchises

We began offering the Body & Brain home-based franchise offered under this Disclosure Document in February 2015.

We began offering our brick and mortar Body & Brain Center franchise in February 2008. The Body & Brain Center franchise is offered under a separate Franchise Disclosure Document. The Body & Brain Center franchise operates from a dedicated commercial retail space and focuses on offering the physical aspects of Body & Brain holistic products and services, which are primarily offered in a group class setting. As of the date of this Disclosure Document, we have sold a total of 124 Body & Brain Center franchises.

Having offered the Body & Brain home-based franchise model for more than 2 years, we recognize that our original Body & Brain Center franchise model is more beneficial to franchisees. So, we are in the process of transitioning the Body & Brain home-based franchise model to the Body & Brain Center franchise model. Only Body & Brain Center franchises are available for new franchisees. However, under our grandfather policy, franchisees who are Body & Brain home-based franchisees as of May 31, 2017 may continue to operate their Body & Brain home-based franchises and, if conditions described in Item 17 are satisfied, may renew or transfer the franchises. The grandfather policy also allows existing prospective franchisees who have paid all or part of the \$10,000 initial training fee for a Body & Brain home-based franchise as of May 31, 2017 to sign an agreement for a Body & Brain home-based franchise if the agreement is signed within 180 days after successfully completing our initial franchise training program as described in Item 11. We anticipate that we will continue to have Body & Brain home-based franchises for a significant amount of time, but only in states with existing Body & Brain home-based franchisees or prospective Body & Brain home-based franchisees who wish to sign an agreement for, operate, renew, or transfer a Body & Brain home-based franchise under the grandfather policy.

A Body & Brain home-based franchisee can convert to a Body & Brain Center franchise by meeting the requirements and paying the conversion fee described in Item 6. A Body & Brain Center franchisee will not be allowed to convert to a Body & Brain home-based franchise except that conversion is allowed if before June 1, 2017, a Body & Brain Center franchisee has made an offer to us, evidenced by writing, to convert to a Body & Brain home-based franchise.

We do not offer franchises in any line of business other than (i) the Body & Brain home-based franchise offered under this Disclosure Document and (ii) the Body & Brain Center franchise offered under a separate Disclosure Document.

We are not engaged in any business other than offering Body & Brain franchises and administering the franchise system. We have not operated a business similar to the Body & Brain home-based business offered under this franchise.

Parents, Affiliates and Predecessors

Our parent company is Body & Brain Yoga and Health Centers, Inc. (“BBYHC”) (formerly named Dahn Yoga and Health Centers, Inc.) and its principal business address is 1234 S. Power Road, Suite 250, Mesa, Arizona 85206. BBYHC is owned by its parent company, Brain Training Center Co., Ltd (“Brain Training Center”) (formerly named Dahn World Co., Ltd), which has a principal business address of 277-20 Nonhyun Building, Nonhyun, Kangnam, Seoul Korea. BBYHC operates approximately 44 Body & Brain Centers in the United States (formerly Dahn Yoga Centers) and Brain Training Center operates approximately 132 Dahn Yoga Centers outside the United States. BBYHC provides certain training to our franchisees as further discussed below under “Franchisee Qualifications.” Neither BBYHC nor Brain Training Center has offered franchises in this or any other line of business.

We do not have any predecessors. Except as disclosed above, we do not have any affiliates that provide goods or services to our franchisees or that have offered franchises in this or any other line of business.

Franchisee Qualifications

We only consider offering franchises to individuals who have completed: (i) at least 6 months of regular classes held at a Dahn Yoga Center or Body and Brain Center; (ii) the Self-Enrichment workshop provided by BBYHC; and (iii) the Qualified Instructor Training provided by BBYHC.

Description of Franchised Business

Under your Body & Brain home-based franchise (referred to in this Disclosure Document as your “Business”), you will focus on offering the physical aspects of Body & Brain holistic products and services. In particular, you will serve as a health coach, yoga and/or Tai chi instructor that provides holistic health and natural healing programs to individuals and small groups. You will utilize integrative lifestyle coaching to help people develop a healthy lifestyle using certain tools, such as counseling, exercise, media content and related products. You will utilize the Solar Body Method, which is a systemized training method that strengthens the body’s natural healing capacity.

Body & Brain home-based franchises offer coaching, online courses, private classes, outreach classes, worksite wellness classes and workshop registrations. Franchisees also have the option, but not the obligation, to sell certain approved products, including books, uniforms, clothing, dietary supplements, skin care products, subscriptions to online programs (including changeyourenergy.com), and various devices that assist with the health and healing programs.

The franchise offered under this Disclosure Document is a home-based opportunity. You will not operate from a commercial office or retail space. Instead, you will conduct your Business at your clients’ homes and business locations (i.e., “on-site”). You may also utilize temporary space where you may offer classes, such as space made available to you at a church or community center. You may not establish a dedicated retail space or utilize any signage at any location where you conduct your Business.

As part of your Business, you will also have the opportunity to receive referral fees if you refer your clients to certain of our affiliated companies (including BBYHC) and they participate in a workshop, retreat, or other program offered by the affiliated company. These affiliated companies may include companies under common ownership with us or third parties operating under a license granted by us or one of our affiliates.

In order to take advantage of these referral programs, you must sign the Referral Agreement that is attached to this Disclosure Document as EXHIBIT "F".

We will grant you a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks “Body & Brain” (collectively, the “Marks”) in the operation of your Business. You must sign a franchise agreement (the “Franchise Agreement”) and conduct your Business in accordance with the terms of the Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C". Before you attend the initial training program, you must sign either the Franchise Agreement or the form of Training Agreement that is attached to this Disclosure Document as EXHIBIT "D" (the “Training Agreement”). Under the terms of the Training Agreement, you will have a period of 180 days after successfully completing the initial training program to sign the Franchise Agreement. If you do not sign the Franchise Agreement within that period of time, we will have no further obligation to grant you a franchise.

We have developed a unique system (the “System”) for Body & Brain home-based franchises. Distinctive characteristics of the System include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system. The operational aspects of a Body & Brain home-based franchise are contained within our confidential Operating Manual (the “Manual”). You will conduct your Business as an independent business using the Marks, the System, the Body & Brain name, as well as the support, guidance and other methods and materials provided or developed by us.

Market and Competition

The primary target market for Body & Brain home-based franchise customers includes individuals who want to develop their brain potential and create a healthier lifestyle. The alternative health industry is large, well developed, and highly competitive. A Body & Brain franchisee competes primarily with other businesses that provide healing and relaxation services, for instance life coaching, massage therapy, physical therapy and Yoga, as well as businesses that provide alternative medicine, for instance acupuncture, chiropractic services, homeopathy, herbs and energy therapies. Some of these businesses operate through franchises.

Laws and Regulations

There are no laws or regulations that are specific to this industry. In some cities, Home Occupation (Business) Permits can be restricted. We recommend you to check your city first to see if a permit is available for this category of home-based business. In certain states, “health clubs” are subject to special laws and regulations and some of these laws may apply to your Business if it is deemed to be a health club. Among other things, these laws and regulations may impose requirements relating to the consumer contracts that your members will sign. The federal Truth in Lending Act may also require you to provide certain disclosures in these consumer contracts to the extent that you offer financing. You must hire an attorney to review the form of membership agreement and other consumer contracts that you use to ensure they comply with the laws of your state. Dietary supplements and skin care products sold by Body & Brain franchisees may be subject to regulation or approval by the United States Food and Drug Administration under the Food Drug and Cosmetic Act of 1938, the Dietary Supplement Health and Education Act of 1994, or other applicable laws. You must comply with all federal and state licensing and other regulatory requirements for the operation of your Business. There may be other local, state and/or federal laws or regulations pertaining to your Business with which you must comply.

ITEM 2 BUSINESS EXPERIENCE

Joung Yoon – President and Member of the Board of Managers

Joung Yoon was appointed to our Board of Managers in March of 2012 and has served as our President since February of 2026. From January 2020 to January 2026, Mr. Yoon has served as a Senior Instructor for our parent company, BBYHC, in Mesa, Arizona.

Eun Jeong Lee – Operations/Administrative Manager and Member of the Board of Managers

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018.

Hyunsook Lee – Member of the Board of Managers

Hyunsook Lee was appointed to our Board of Managers in February 2026. Ms. Lee has served as the Director of Operations for our parent company, BBYHC, in Mesa, Arizona since April 2024 and as a Senior Manager for BBYHC in Marietta, Georgia since January 2021. Ms. Lee has also served as the President and a Director of Body & Brain Foundation in Mesa, Arizona since July 2024.

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 Training Fee

You must pay us an initial training fee of \$10,000 before attending our initial franchise training program. Specifically, the training fee is due at the time you sign the Franchise Agreement (or Training Agreement, if applicable). You must pay us a separate \$10,000 initial training fee for each person that attends initial training (we do not anticipate that any Body & Brain home-based franchisees will have more than 1 owner or will employ a manager during the initial phase of developing their business). We anticipate most franchisees will send 1 person to training. We will refund the entire training fee if you notify us that you wish to cancel the franchise before you begin training. The initial training fee is not refundable under any other circumstances.

If you fail to successfully complete our initial training program, you must retake training and pay us a retraining fee of \$400 for each instance where you must retake training. The retraining fee is due prior to attending the retraining session and non-refundable.

The initial training fee and the retraining fee are uniformly imposed on all franchisees.

Self-Enrichment Workshop

Before you apply for the franchise, you must attend the Self-Enrichment workshop provided by BBYHC. You must pay BBYHC a fee ranging from \$150 to \$400 to attend the Self-Enrichment workshop. This fee is payable at the time you sign up for the Self-Enrichment workshop. The fee for the Self-Enrichment

worship is uniform. The entire fee is refundable if you notify BBYHC that you will not attend the training program before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to \$50.

Qualified Instructor Training

Before you apply for the franchise, all Owners must complete the Qualified Instructor Training program provided by BBYHC. You must pay BBYHC a fee of \$2,800 to \$3,900 to attend the training. This fee is payable at the time you sign up for the training and is in addition to the initial training fee for franchise training. The Qualified Instructor Training fee is uniform. The entire fee is refundable if you notify BBYHC that you will not attend the training program before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to \$50.

Initial Franchise Fee

We do not charge an initial franchise fee.

Initial Inventory

Before you open, you may purchase your initial supply of inventory items from HSP World, which is BBYHC's merchandising division, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. You are not required to purchase any of these items, although we anticipate that most franchisees will purchase between \$250 to \$1,000 worth of inventory items from BBYHC before opening. The price of these inventory items is uniformly imposed on franchisees. BBYHC will provide a full refund of the purchase price for any inventory items that are returned, but only if: (i) the items are unopened and in good and useable condition or have any damage caused by shipping; and (ii) the request for refund must be made to BBYHC within 30 days of delivery. The purchase price is not refundable under any other circumstances.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee ¹	10% of monthly Program Sales ²	Payable on or before 6 th day of month for prior month's operations	None
Additional Training Fee ¹	Up to \$150 per hour plus food, lodging and travel expenses	As invoiced	See Note 3.
Initial Training Fee	\$10,000 for first session, \$400 for "retraining"	Before training	See Note 4.
Advertising Fund Fee ¹	0.5% of Program Sales ²	Payable on the 6 th day of month for prior month's operations	See Note 5.
Cooperative Advertising Fee	Up to 0.5% of Program Sales ²	Payable on the 6 th day of month for prior month's operations	See Note 6.
National Conference Fee ¹	Up to \$100 per day per person	As invoiced	See Note 7.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Inventory Items ¹	Varies	Upon order	BBYHC is the supplier for most of your inventory items. You are not required to purchase any inventory items.
Software Fee ¹	Currently \$29 per month (not to exceed \$100 per month)	Payable on the 6 th day of month	See Note 8.
Audit Fee ¹	Actual cost of audit plus \$2,500; you must also pay travel and lodging expenses for the audit team	Upon completion of audit	See Note 9.
Successor Fee ¹	\$500	Before renewal	None.
Transfer Fee ¹	Our costs incurred as part of transfer, up to maximum of \$3,000	Before consummation of transfer	See Note 10.
Fee to Convert to Body & Brain Center franchise ¹	\$10,000	Before conversion	See Note 11.
Fines ¹	Up to \$500 per incident (maximum of \$2,500 for same violation)	10 days after billing	See Note 12.
Late Fee ¹	Lesser of 18% of amount past due or highest rate allowed by applicable law	10 days after billing	See Note 13.
Attorneys' Fees and Costs	Will vary with circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement or any other agreement with us or our affiliates.
Indemnification ¹	Will vary with circumstances	As incurred	You must reimburse us if we are sued for claims from the operation of your Business or for damages or expenses that we incur due to your breach of the Franchise Agreement.
Insurance ¹	Actual cost of premiums, plus our costs and expenses	As incurred	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.

NOTES:

- (1) All fees are imposed by and are payable to us other than the Software License Fee and the cost of inventory items, which are paid to BBYHC. All fees are non-refundable, except that the payments for inventory items may be refunded under the conditions described in Item 5. All fees are uniformly imposed on Body & Brain home-based franchisees. You must sign an ACH

Authorization Form (attached to the Franchise Agreement as Attachment "B"), permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must deposit all revenues derived from the operation of your Business into the bank account and ensure that there are sufficient funds available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you.

- (2) “Program Sales” means all gross sums that you receive from all services that you sell (including private class fees, group class fees, outreach class fees, worksite class fees and referral fees). “Program Sales” do not include (i) revenues from product sales, (ii) amounts refunded to customers or (iii) sales and use taxes. Any amounts that are included in Program Sales for 1 reporting period but are subsequently refunded will be deducted from your Program Sales for the next reporting period. You must provide us with reports of your Program Sales as well as your product sales. You must record all sales information on the same day that the sale takes place.
- (3) We may, but need not, offer periodic additional training programs. These programs are optional, but if you choose to attend, we may charge you the additional training fee. Upon your request, we may provide additional training that you request. We are not required to provide this training, but if we agree to do so, you must pay us the additional training fee. You are also responsible for all food, lodging and travel costs associated with additional training. If we travel to you to provide the training, you must reimburse us for all food, lodging and travel expenses that we incur.
- (4) You will pay us the \$10,000 initial training fee disclosed in Item 5 for each person who attends our initial training program. If you add a new owner or hire a manager after opening, you must pay us the \$10,000 initial training fee to train that person. If that person fails training on the initial attempt, you must pay us the \$400 retraining fee for each subsequent attempt. We expect that most franchisees will not have multiple owners and will not hire a manager.
- (5) We have established and maintain an advertising fund for marketing, advertising and promotional materials, public and consumer relations, publicity, and other programs that we may deem necessary or appropriate in our sole discretion. You will have no voting rights pertaining to the administration of the advertising fund, the creation and placement of the marketing materials or the amount of the advertising fund fee.
- (6) We may establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We will collect the cooperative advertising fees and remit these fees to the applicable advertising cooperative (unless we administer the advertising cooperative ourselves). The amount of the cooperative advertising fee may be adjusted (or temporarily suspended) upon the majority vote of all franchisees within the advertising cooperative. Any Body & Brain home-based business that we operate will have the same voting power as third party franchisees. If we own the majority of Body & Brain home-based businesses within an advertising cooperative, we will not increase the cooperative advertising fee without the consent of a majority of all third-party franchisees within the advertising cooperative. All cooperative advertising fees will be uniformly imposed on all franchisees within the advertising cooperative, including any Body & Brain home-based business that we operate.
- (7) We may hold periodic national conferences. These conferences are mandatory, unless you cannot attend due to circumstances beyond your control. We may also waive the attendance requirement in our sole discretion. We may charge you the national conference fee if you attend. These conferences will likely be held in Arizona or New York, although we can select any location within

the continental United States. In addition to the fee, you are responsible for all food, lodging and travel costs that you incur in attending a national conference. We may also conduct national conferences by telephone or a web-based conference.

- (8) You must utilize BBYHC's proprietary web-based operations software, BRMNet. You will sign the Software Service Agreement attached to this Disclosure Document as EXHIBIT "G". You must pay BBYHC a software fee of \$29 per month for use of this software (the fee includes technical support, updates and upgrades to the software). We reserve the right to change the software that you must use at any time. If we require that you use software that is licensed from us, we may require that you sign a software license agreement with us and we may charge you commercially reasonable initial and ongoing licensing fees. Alternatively, we may enter into other software license agreements with the licensors of the software and then sublicense the software to you. If this occurs, we may charge you for all amounts that we must pay to the licensor(s) based on your use of the software.
- (9) The audit fee must be paid only if (i) we find, after an audit, that you have understated any amount due to us by at least 3% for any monthly period or (ii) the examination or audit is required due to your failure to furnish required information or reports to us in a timely manner or record sales properly. In addition to the audit fee, you must pay us all past due amounts, together with any applicable late fee.
- (10) The transfer fee is only paid if you transfer or sell your franchise. We will not charge you the transfer fee if you transfer the franchise to an entity that you control. The transferee must also pay us \$10,000 to provide initial training, unless the transferee has previously completed our franchise training program.
- (11) The fee to convert to a Body & Brain Center franchise is payable only if you exercise the option to convert to a Body & Brain Center franchise. You have this option if you: (i) are in full compliance with the terms of the Franchise Agreement; (ii) pay a conversion fee of \$10,000; (iii) complete the Leadership Training; and (iv) sign our then current form of franchise agreement for a Body & Brain Center franchise and a general release.
- (12) We may impose a fine only if (i) you do not comply with our standards and you fail to correct the noncompliance within the required corrective period or (ii) you receive a customer complaint and fail to follow our complaint resolution process. All fines will be deposited into the advertising fund.
- (13) We may charge the late fee on all overdue amounts under the Franchise Agreement. If the Franchise Agreement does not specify a due date, interest begins to accrue 10 days after billing. If there are sufficient funds in your designated checking account to cover all amounts due us as these amounts become due and you provide us with reports of Program Sales and record sales on a timely basis, you will not be charged a late fee.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Training Fee (typically 1 person)	\$10,000	1 installment by electronic debit, cashier's check or personal check	Before attending training	Us
Self-Enrichment Workshop	\$150 to \$400	Lump sum	Before attending workshop	BBYHC (we may collect and pay to BBYHC at our option)
Qualified Instructor Training	\$2,800 to \$3,900	Lump sum	Before attending training	BBYHC (we may collect and pay to BBYHC at our option)
Training Expenses (food, travel and lodging) ²	\$1,500 to \$3,300	As incurred	Before and during training	Airlines, restaurants and lodging facilities
Computer System	\$1,100 to \$2,700	Lump sum	Before opening	Suppliers
Initial Supply of Inventory ³	\$250 to \$1,000	Lump sum	Before opening	Suppliers
Home Office Supplies	\$0 to \$300	As incurred	Before opening	Suppliers
Pre-opening Marketing	\$1,000 to \$1,500	Lump sum	Before opening	Newspaper, Yellow Pages, ad printers, other media
Music License Fees (for 1 year)	\$300 to \$600	Lump sum	Before opening	Music licensing company
Business License	\$30 to \$500	Lump sum	Before opening	Government agencies
Incorporation Fee ⁴	\$200 to \$700	Lump sum	Before opening	Government agencies
Professional Fees	\$300 to \$3,000	Lump sum	Before opening	Accountants & lawyers
Insurance (premium for 1 year)	\$500 to \$900	Lump sum	Time and manner required by insurance companies	Insurance companies
Additional Funds – 3 months ⁵	\$1,550 to \$7,500	As incurred	As incurred	Suppliers and BBYHC
Total Estimated Initial Investment ⁶	\$19,680 to \$36,300			

NOTES:

- (1) We do not offer direct or indirect financing to franchisees for any of these items. We will refund the entire training fee if you notify us that you wish to cancel the franchise before you begin training. No other fees payable to us are refundable. BBYHC will refund the training fee for Self-Enrichment Workshop and Qualified Instructor Training if you notify BBYHC you will not attend before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to \$50. BBYHC will refund the purchase price for the initial supply of inventory under the circumstances described in Item 5. We are unaware of any other fees payable to third party suppliers that are refundable. Because we do not expect many franchisees to use the Conversion Program described in Item 5, our estimates above assume that the Conversion Program does not apply.
- (2) You must pay all travel, food and lodging costs associated with attending the initial franchise training program as well as the Self-Enrichment Workshop and Qualified Instructor Training.
- (3) You have the option of purchasing certain inventory items from BBYHC that you may resell to your customers.
- (4) We recommend, but do not require, that you form a corporation or limited liability company to act as franchisee under the Franchise Agreement and to operate your Business.
- (5) This estimates your expenses during the first 3 months of operation. These expenses include monthly software fees (paid to us or BBYHC), advertising costs, utilities, postal costs, additional inventory and office supplies, gas cost, and other miscellaneous expenses.
- (6) These figures are estimates based on the past experience of our parent company and franchisees in operating their Dahn Yoga Centers and Body & Brain Centers. Because we have not previously operated or franchised the Body & Brain home-based franchise, these are merely rough estimates of the costs you may incur. You may have additional expenses starting your Business. Your Business may be operated in your own home. So, we do not designate a size or type of location or include costs related to size or type of location in these estimates.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source Restricted Purchases and Leases – Generally

We require that you purchase or lease certain “source restricted” goods and services for the development and ongoing operation of your Business. By “source restricted,” we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). Our specifications and list of approved and designated suppliers are contained in the Manual. We will notify you within 30 days of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, or other means of communication.

Supplier Criteria

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon your request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit any additional information that we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within 60 days after we receive your request for approval plus all additional information and samples that we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval by written notice to you if the supplier fails to meet any of our then-current criteria. We do not charge you any fee to review suppliers you propose.

Current Source Restricted Items

As described below in more detail, we require that you purchase the following source restricted goods and services for use in the development and ongoing operation of your Business: all inventory, marketing materials, computer system, music and insurance policies. We estimate that between 85% and 95% of the total purchases that will be required to establish and operate your Business will consist of source restricted goods or services.

Inventory

You are not required to purchase any inventory for resale although you have the option to do so. All inventory that you purchase must meet our standards and specifications and must be purchased only from designated or approved suppliers. BBYHC's merchandising division, HSP World, is our approved supplier for certain inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. Inventory items can also be purchased from other suppliers, as long as we approve them.

Marketing Materials

All of your marketing materials must comply with our standards and requirements. We must approve all of your marketing materials before you use them. You may purchase marketing materials from any supplier of your choosing.

Computer System

Your computer system (including software and hardware) must meet our standards and specifications. You may purchase your computer from any supplier of your choosing. You must also utilize the web-based point of sale system that we specify (currently, BRMNet Software), which you will license from our affiliate BBYHC.

Music

You may only play the music that we authorize from time to time relating to the operation of your Business. We do not offer licensing for any particular music, that must be obtained through Performance Rights Organizations, such as ASCAP, BMI or SESAC. However, the music played at Body and Brain locations is an important aspect of brand continuity, so we require franchisees to get advanced authorization of music.

Insurance

You must obtain the insurance coverage that we require from time to time (whether in the Franchise Agreement or in the Manual). You must purchase these policies from a carrier with an A.M. Best's rating of A or better. The required coverage currently includes professional liability insurance in the minimum amount of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate (with a

maximum deductible of \$1,000 per claim); and any other limits and coverage that we periodically require in Manual. The required coverage and policies are subject to change. All insurance policies must: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy. You must provide us with a certificate of insurance along with the additional insured endorsement. These are just our minimum insurance requirements and you may wish to purchase additional coverage.

Purchase Agreements

At this time, we do not negotiate purchase agreements with suppliers. However, we may in the future try to establish relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us). Alternatively, we reserve the right to purchase the items in bulk and resell them to you at our cost plus a reasonable markup (your total cost to purchase the items from us will not exceed your total cost to purchase the items directly from the supplier without the benefit of our group purchasing power). There are no purchasing cooperatives, although we reserve the right to establish one or more purchasing cooperatives in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

Franchisor & Affiliate Revenues from Source Restricted Purchases

Although we are not currently an approved or designated supplier for any source restricted items, we reserve the right to designate ourselves as an approved or designated supplier in the future, in which case we may generate revenues from these purchases. We may receive rebates, payments or other material benefits from vendors based on franchisee purchases. We will deposit all rebates and payments from suppliers into the Advertising Fund. In the fiscal year ended December 31, 2025, we did not receive any revenues based on Body & Brain home-based franchisee purchases from approved or designated suppliers.

Our parent, BBYHC, is the exclusive licensor of the web-based point of sale system you must use (BRMNet Software). You must pay BBYHC a monthly fee of \$29 per month for use of this system. BBYHC's merchandising division, HSP World, is our approved supplier for certain optional inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. BBYHC is also the exclusive provider of the required Self-Enrichment Workshop and Qualified Instructor Training. BBYHC and our other affiliates may be approved or designated suppliers for other goods or services in the future. During the fiscal year ended December 31, 2025, BBYHC received a total of \$960.00 in revenues based on Body & Brain home-based franchisee purchases from approved or designated suppliers, including purchases from BBYHC. The source of this information is an internal financial accounting document prepared by BBYHC's Accounting Department.

There are no approved or designated suppliers in which any of our officers owns an interest.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT (“FA”) OR SOFTWARE SERVICE AGREEMENT (“SSA”)	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: Not Applicable SSA: Not Applicable	Item 7 & 11
b. Pre-opening purchases/leases	FA: Section 9.4, 9.5 & 14.1 SSA: Not Applicable	Item 5, 7, 8 & 11
c. Site development and other pre-opening requirements	FA: Section 6 SSA: Not Applicable	Item 6, 7 & 11
d. Initial and ongoing training	FA: Section 4 SSA: Not Applicable	Item 6 & 11
e. Opening	FA: Section 6 SSA: Not Applicable	Item 11
f. Fees	FA: Section 2.2, 3.2, 4.6, 8.1, 8.4, 9.5, 9.6, 9.7, 12 & 18.2 [Also see Section 3 of the Training Agreement] SSA: Section 3.1	Item 5, 6, 8 & 11
g. Compliance with standards and policies/Operating Manuals	FA: Section 5.1, 8.3 & 9 SSA: Section 3.2	Item 11
h. Trademarks and proprietary information	FA: Section 16 [Also see Section 5 of the Training Agreement] SSA: Section 4 & 5	Item 13 & 14
i. Restrictions on products/services offered	FA: Section 9.3 & 16.1 SSA: Not Applicable	Item 16
j. Warranty and client service requirements	Section 9.6 SSA: Not Applicable	Item 6
k. Territorial development and sales quotas	FA: Not Applicable SSA: Not Applicable	Item 12
l. Ongoing product/service purchases	FA: Section 9.2, 9.4 & 9.5 SSA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: Not Applicable SSA: Not Applicable	Item 11
n. Insurance	FA: Section 14.1 SSA: Not Applicable	Item 6, 7 & 8
o. Advertising	FA: Section 8 SSA: Not Applicable	Item 6, 7 & 11
p. Indemnification	FA: Section 17 SSA: Section 7	Item 6
q. Owner’s participation/management/staffing	FA: Section 7 SSA: Not Applicable	Item 11 & 15
r. Records/reports	FA: Section 14.2, 14.3 & 14.4 SSA: Not Applicable	Item 6

OBLIGATION	SECTION IN FRANCHISE AGREEMENT (“FA”) OR SOFTWARE SERVICE AGREEMENT (“SSA”)	DISCLOSURE DOCUMENT ITEM
s. Inspections/audits	FA: Section 15 SSA: Not Applicable	Item 6 & 11
t. Transfer	FA: Section 18 SSA: Section 4.2 & 10.3	Item 17
u. Renewal	FA: Section 3 SSA: Section 1.1	Item 17
v. Post-termination obligations	FA: Section 20 [Also see Section 5 of the Training Agreement] SSA: Not Applicable	Item 17
w. Non-competition covenants	FA: Section 13 & 20(iii) [Also see Section 5 of the Training Agreement] SSA: Not Applicable	Item 17
x. Dispute resolution	FA: Section 21 SSA: Section 9	Item 17
y. Other (describe)	Not Applicable	None

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or 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.

Before you open your Business, we will:

1. License you the Marks necessary to begin operating your Business. (Section 2.1)
2. Provide you with written specifications for the goods and services you must purchase to establish your Business, as well as a written list of approved and/or designated suppliers for purposes of acquiring these goods and services. We do not deliver or install any of the items that you must purchase. (Section 9.2 & 9.4)
3. Loan you 1 copy of the Manual, which will help you establish and operate your Business. See Section below entitled “Manual” for additional information. (Section 5.1 & 9.2)
4. Provide an initial marketing plan for your Business. (Section 8.2)
5. Provide an initial training program. See Section below entitled “Training Program” for additional information. (Section 4.1)

During the operation of your Business, we will:

1. Give you ongoing guidance and recommendations on ways to improve the marketing and

operation of your Business. ([Section 5.2](#))

2. Maintain an Internet website that will include a list of all of the Body & Brain home-based franchisees that are in good standing with us. We will also establish an intranet for our franchisees to provide operational support. We can modify the content of and/or discontinue the website at any time in our sole discretion. ([Section 5.4](#))
3. Administer the Advertising Fund described in Item 6. See Section below entitled “Advertising Fund” for additional information. ([Section 8.1](#))

During the operation of your Business, we may, but need not:

1. Provide periodic training programs or conduct additional training that you request. See Section below entitled “Training Program” for additional information. ([Section 4](#))
2. Develop new products or services for sale by Body & Brain franchisees. ([Section 5.5](#))
3. Hold periodic national conferences to discuss business and operational issues affecting Body & Brain franchisees, including industry changes, new services and/or merchandise, marketing strategies and the like. ([Section 4.5](#))
4. Create a franchise advisory council. See Section below entitled “Advisory Council” for additional information. ([Section 10](#))
5. Suggest or establish pricing or discount rates for certain Body & Brain products and services. ([Section 8.3](#) & [8.5](#))

Training Program ([Section 4](#) and Training Agreement)

Overview

We will provide an initial training program of approximately 30 hours over 5 to 9 days. All of your owners and manager must successfully complete the initial training program to our satisfaction. We expect that most franchisees will not have multiple owners and will not hire managers. We anticipate most franchisees will send 1 person to training. You are not required to attend or complete training within any minimum period of time after signing the Franchise Agreement or prior to opening. However, you cannot begin operating your Business until you have successfully completed training by attending all hours of classroom training in every required subject (you must open your Business within 180 days after signing the Franchise Agreement).

The initial training program will take place at a retreat in Sedona, Arizona (currently Sedona Mago Retreat Center) or another training location we select at our discretion or in an online format. Currently, we intend to offer the initial training program at least 4 times per year.

Training Topics

The initial training program consists of the following:

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Orientation / Reflection/ Sharing	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Background of the Franchisor	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Center Management	1.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Monthly Plan / Goal	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Marketing	1.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Accounting	1.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Center Opening	2	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Solar Body	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Merchandise Intro	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Intro Session	4	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Regular Class	6	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Open Workshop	1.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Private Session	1.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Aura Reading	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Consultation	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Member Care	2	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Self Management	1	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Graduation Ceremony	0.5	0	In Sedona, Arizona or at another training location we select at our discretion, or in an online format
Total	30		

Training Materials

The training materials include the Manual, Merchandise Book and lectures. You will not be charged an additional fee for any of the training materials.

Instructors

Joung Yoon is in charge of our training program. Our other instructors include Eun Jeong Lee.

Joung Yoon was appointed to our Board of Managers in March of 2012 and has served as our President since February of 2026. From January 2020 to January 2026, Mr. Yoon has served as a Senior Instructor for our parent company, BBYHC, in Mesa, Arizona. Mr. Yoon has more than 5 years of experience in the field.

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018. Ms. Lee has more than 5 years of experience in the field.

Training Agreement

If you choose to attend the initial training program prior to signing the Franchise Agreement, you must sign the Training Agreement, the form of which is attached to this Disclosure Document as **EXHIBIT "D"**. In that case, you must pay us the \$10,000 initial training fee when you sign the Training Agreement (prior to training).

Supplemental Training Programs

As further discussed in Item 5, each Owner is also required to attend the Self-Enrichment Workshop and

Qualified Instructor Training provided by BBYHC. The Self-Enrichment Workshop is held from time to time in numerous cities across the country. Usually, the training facility is located near a Body & Brain Center. The Qualified Instructor Training usually takes place in Arizona or New York. You must complete these training programs before you apply for the franchise.

Ongoing Training

To maintain the uniformity and high standard of goods and services provided by Body & Brain franchisees or to modify these goods or services, we may, but need not, offer periodic additional training programs for franchisees. Attendance at these training programs is optional. You may also request that we provide optional additional training. We are not required to provide this training, but may do so in our discretion.

Training Fees and Costs

You must pay us a \$10,000 training fee for each owner and manager that attends our initial training program. We do not expect franchisees to have more than 1 owner or hire managers. Any person who fails initial training must retake training and you must pay us a retraining fee of \$400 for each instance the person retakes training. In addition to the \$10,000 training fee for the initial training program, you must pay our parent company \$150 to \$400 for the Self-Enrichment Workshop and \$2,800 to \$3,900 for the Qualified Instructor Training, which is also in addition to the \$10,000 training fee for the initial training program.

You must pay all food, lodging and travel costs that you incur while attending training programs. We may charge you an Additional Training Fee of up to \$150 per hour for: (i) any optional ongoing training programs you choose to attend; and (ii) any special training that you request and we agree to provide. If we travel to you to provide the requested training, you must reimburse us for our food, lodging and travel costs.

Manual (Section 5.1 & 9.2)

We will lend you our Manual in text or electronic form for the term of your Franchise Agreement. The Manual may include, among other things, (i) a description of the authorized goods and services that you may offer; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Body & Brain franchisees; (iii) mandatory reporting and insurance requirements; and (iv) a written list of goods and services (or specifications for goods and services) you must purchase for the development and operation of your Business and a list of any designated or approved suppliers for these goods or services. All mandatory provisions contained in the Manual are binding upon you. The Manual is confidential and remains our property. We may modify the Manual upon 30 day's prior notice, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement. The Manual contains a total of 281 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "H".

Advertising Fund (Sections 8.1)

We have established and administer an advertising fund. We administer a single advertising fund for Body & Brain home-based franchisees and Body & Brain Center franchisees. The advertising fund will be used for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or appropriate. Currently, we intend to use the advertising fund to further develop the publicly accessible Body & Brain website to promote the brand and Body & Brain Centers and Body & Brain home-based franchises. The advertising fund may also be used to pay for the creation of marketing materials that our franchisees may use for local marketing purposes.

Advertising fund fees will be kept in a separate account and revenues received will be accounted for

separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the advertising fund and its local, regional or national advertising programs (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, Internet, newspaper, digital advertising and other media programs and activities and employing advertising agencies to assist therewith, collecting and accounting for contributions to the advertising fund, and paying for the preparation and distribution of marketing materials and financial accountings of the advertising fund). None of the advertising fund fees will be used for advertisements principally directed at selling additional franchises. All funds deposited into the advertising fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of funds in the advertising fund may be invested and we may lend money to the advertising fund if there is a deficit. During the fiscal year ended December 31, 2025, we did not spend any advertising fund fees.

You must pay us an advertising fund fee equal to 0.5% of your Program Sales (defined in Item 6). We will deposit into the advertising fund all: (i) advertising fund fees paid by you and other franchisees (unless we allocate the fees to an advertising cooperative); (ii) fines paid by you and other franchisees; and (iii) rebates or other payments we receive from suppliers based on franchisee purchases. Any company-owned Body & Brain Center or Body & Brain home-based business will contribute to the advertising fund on the same basis as our Body & Brain home-based franchisees (0.5% of Program Sales). However, if we modify the amount or timing of the contributions that must be made to the advertising fund, any company-owned Body & Brain Center or Body & Brain home-based business that is established or acquired after the modification may contribute to the advertising fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

Our administration of the advertising fund is intended to maximize general public recognition and patronage of the Body & Brain System for the benefit of us and all Body & Brain franchisees and we will use our best efforts to apportion advertising to obtain the greatest benefit for all franchisees. We will direct and have complete control and discretion over all advertising programs, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs. We anticipate that the advertising will primarily consist of Internet ads and brochures. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the advertising fund. The advertising fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the advertising fund. An unaudited financial accounting of the operations of the advertising fund will be prepared annually and made available to you upon request.

Local Advertising (Section 8.3 & 8.5)

We do not require that you spend any minimum amount on local advertising. We will provide you with standardized marketing plans and advertising, promotional and marketing materials. Alternatively, we may enter into relationships with approved or designated suppliers who will create advertising or marketing materials that must be purchased and utilized by Body & Brain franchisees. You will also have an opportunity to create advertising for your own use, provided we approve it in advance. You may not use any advertising materials that have not been approved by us. You must submit to us any advertising materials prepared by you and we will have 5 business days to review and either approve or reject the materials. If we fail to respond within the 5-day period, the materials are deemed approved. We may later disapprove of materials that we previously approved.

We have implemented an online payment program. Under the program, existing, new, or potential customers can purchase and pay for Introductory Class sessions (introductory one-on-one sessions), Trial

Class sessions (introductory group class), Group Classes, and Private Classes offered by franchisees through our website or a third-party website. By participating, you agree that: (i) we will list you on our website or a third-party website as a Body and Brain home-based franchise that is participating in the Online Payment Program; (ii) we will allow existing, new, or potential customers of yours to purchase Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes through our website or a third-party website by electronic payment; and (iii) we may offer a discount for online payment, provided that the minimum required payment will be equal to or exceed 50% of our then-current suggested retail pricing for Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes, as applicable. Online payment proceeds paid to you by customers through the Online Payment Program must be included in your reporting of Program Sales. All online payment proceeds collected by us pertaining to your Business will be paid to you.

You may develop and maintain your own website but we must approve all of the content in advance. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance. You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop.

You agree to participate in all coupon deals that we specify, such as Groupon. You agree that we may enter into agreements with these companies on behalf of you and other franchisees and we have the right to collect the funds generated through the program and distribute them to franchisees based on where the services are redeemed. You also agree to participate in all discount and referral programs that we specify, such as Beneplace. In these arrangements, a third party refers potential customers to franchisees and the customers receive a discounted rate. Under these programs, you may be required to pay commissions to the party referring the customers to you and you must honor the discounted rate that we negotiate.

All proceeds from coupon deals or discount and referral programs will either be credited towards your obligation to pay royalty fees or we may send you a check. To the extent these proceeds for a given month exceed your required royalty fee for that month, the excess amount will be carried forward and applied against your required royalty fee in the subsequent month. If your Franchise Agreement expires and, as of the expiration date, the amount of the proceeds exceeds the total credits you have received for your required royalty fees, the excess amounts will be refunded to you within 30 days after the expiration of the Franchise Agreement. We will notify you of all coupon or discount and referral transactions pertaining to your Business in a timely manner.

Advertising Cooperatives (Section 8.4)

We may, but need not, form one or more advertising cooperatives for the benefit of all Body & Brain home-based franchisees located within a particular region. If you operate within a region subject to an advertising cooperative (determined by whether your home office is located in the cooperative area), you must pay the cooperative advertising fee, which will not exceed 0.5% of Program Sales. We have the right to allocate any portion of the advertising fund fees to an advertising cooperative. We also have the right to determine the composition of all geographic territories and market areas for the implementation of each advertising cooperative. Generally, the boundaries of an advertising cooperative will coincide with a city's metropolitan area.

If we implement an advertising cooperative in a particular region, we have the right to establish an advertising council to self-administer the cooperative or we can administer the cooperative ourselves. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. Advertising cooperatives are not required to operate from written governing documents. Advertising cooperatives will prepare annual or periodic financial statements. These financial statements will be made available to franchisees within the advertising cooperative upon request. We

reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion.

Advisory Council (Section 10)

We may create an Advisory Council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions from the advisory council in good faith, but we would not be bound by any such suggestions. The Advisory Council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the Advisory Council to communicate with us on matters raised by the Advisory Council. You would have the right to be a member of the Advisory Council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counterproductive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the Advisory Council. We would not have any members on the Advisory Council. Each member would be granted one vote on all matters on which members would be authorized to vote. If established, we may require that the Advisory Council for Body & Brain home-based franchisees be separate and distinct from the Advisory Council for Body & Brain Center franchisees. We would reserve the power to form, change or dissolve the Advisory Council in our discretion.

Computer System (Section 9.5)

You must purchase a computer system that meets our standards and specifications. Your computer system must include a computer with the most current version of MS Windows XP, Vista, 7, 8 or 10, Microsoft Office Suite (which must include Excel, Word and PowerPoint), high speed internet connection, printer/copy machine and webcam. Your computer system may also include an optional usb magnetic/barcode reader and thermal receipt printer. You must also purchase a web-based point of sale system and use the software that we specify (currently the web-based operations software, BRMNet). Your computer system will be used for accounting, tracking sales and managing and storing information about your members. We will have independent access to the data entered into BRMNet, although we will not have independent access to any other information generated or stored on your computer system.

We estimate that the cost of your Computer System will range from \$1,100 to \$2,700. You must maintain the computer system and other equipment in good working order at your cost. During the term of your franchise, you may be required to change, upgrade or update your computer system to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these changes, updates or upgrades.

You must pay our parent, BBYHC, a monthly fee of \$29 per month (\$348 per year) for use of BRMNet. In exchange for this fee, BBYHC will provide all ongoing maintenance, support, upgrades and updates for the associated software. Most new computers come with a limited warranty where the manufacturer is obligated to provide certain ongoing services, such as support and repairs, for a limited period of time. Except as otherwise disclosed above: (i) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (ii) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

If we develop any proprietary software (or we license software from a licensor and then sublicense the software to you), you must enter into a software license agreement with us that will govern the terms according to which you may use the software. If we do so, we may require that you pay us commercially reasonable initial and ongoing license fees.

Opening Requirements (Section 6)

You may not begin operating your Business until you have successfully completed the initial training program to our satisfaction. We anticipate that a typical Body & Brain home-based franchisee will begin operating their business within 90 to 180 days after signing the Franchise Agreement (or Training Agreement, if applicable). The primary factors affecting this time are completion of the initial training and obtaining the required insurance and business licenses. Unless we agree to the contrary, you must begin operating your Business within 180 days after you sign the Franchise Agreement. Your failure to open within the 180-day period (or any approved extension period) constitutes an event of default under your Franchise Agreement.

ITEM 12 TERRITORY

Business Location

The franchise offered under this Disclosure Document is a home-based business. You will provide Body & Brain products and services “on-site” at the customer’s location (such as a home or office). You may also offer Body & Brain products from “temporary space” such as a church or community center. However, you may not operate from a dedicated retail space. You do not need our approval of the location of your home office or any other site where you offer Body & Brain products and services. However, you must: (i) notify us of your home office address (and any changes); and (ii) only operate within the state in which your home office is located (unless we authorize you in writing to operate outside of your state). There are no restrictions on your right to relocate your Business, except you may not relocate to another state without our approval. We would approve the relocation as long as we are authorized to offer and sell franchises in that state, or if the relocation would not trigger the new state’s franchise registration or disclosure laws.

No Exclusive Territory

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

There are no restrictions on our ability to solicit customers or sell competitive or identical goods or services in your area. We may solicit customers and sell competitive or identical goods or services through alternative channels of distribution, including under the Marks or under any other trademark. Examples of alternative channels of distribution include sales over the Internet, catalog sales, telemarketing and other direct marketing. We are not required to pay you any compensation if we sell any competitive or identical goods or services to customers located in your area.

Restrictions on Your Sales and Marketing Activities

You are not granted a territory or restricted to operating your Business within any defined geographic area (other than the state in which your home office is located). You can develop and maintain your own website but we must approve all of the content in advance and we must own the domain name if it contains our Marks or any derivative of our Marks. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance. You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop. You can market and sell through any other channel of distribution. You cannot solicit, or sell products or services to, any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer. There are no other restrictions on your right to solicit customers, whether from inside or outside of your market area.

Additional Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises. However, you have the option to upgrade from a Body & Brain home-based franchise to a Body & Brain Center franchise if: you (i) are in full compliance with the terms of the Franchise Agreement; (ii) pay a conversion fee of \$10,000; (iii) complete the Leadership Training program that we specify; and (iv) sign our then current form of franchise agreement for a Body & Brain Center franchise and a general release.

Competitive Businesses Under Different Marks

We also offer franchises for Body & Brain Centers. Body & Brain Centers operate under the same Marks and offer similar services. However, they also offer special trainings that Body & Brain home-based franchisees cannot offer. Body & Brain Centers can only offer products and services from a dedicated location that is branded with Body & Brain signage. There are both company-owned and franchised Body & Brain Centers. Body & Brain Centers may solicit and sell to customers located in your area. We do not anticipate any conflicts between Body & Brain home-based franchisees and Body & Brain Center franchisees regarding franchise support or territories. However, Body & Brain home-based franchisees may not solicit or sell to members of a Body & Brain Center or members of another Body & Brain home-based franchisee. Similarly, Body & Brain Center franchisees may not divert customers from other franchisees, including Body & Brain home-based franchisees. We would mediate any dispute in order to promote the best interests of the customers and the Body & Brain brand as a whole.

We, along with our parent company and affiliates, currently operate approximately 47 Body & Brain Centers in the United States (44 operated by BBYHC and 3 operated by CGI, Inc., which is a subsidiary of Brain Training Center). BBYHC's principal business address is 1234 S. Power Road, Suite 250, Mesa, Arizona 85206. CGI, Inc.'s principal business address is 111 Homans Ave., Closter, New Jersey 07624. None of the Dahn Yoga Centers are franchises. In the past, Dahn Yoga Centers have not operated under the Body & Brain Center Mark. Instead, they have operated under the mark "Dahn Yoga Center." However, in 2015 all Dahn Yoga Centers operated by our parent company and affiliates rebranded to Body & Brain Centers. Dahn Yoga Centers sell goods and services that are similar or identical to the goods and services sold by Body & Brain franchisees, including physical exercise and meditation training. They also offer products and services that are different from, but complementary to, the products and services offered by Body & Brain Centers.

ITEM 13 TRADEMARKS

BR Consulting, Inc. ("BR Consulting") is a New Jersey corporation that owns the Marks that we will sublicense to you. BR Consulting, registered the following trademarks on the United States Patent and Trademark Office ("USPTO"):

REGISTERED MARK		
MARK	REGISTRATION NUMBER	REGISTRATION DATE (RENEWAL DATE)
 body+brain	3,848,216	September 14, 2010

REGISTERED MARK		
MARK	REGISTRATION NUMBER	REGISTRATION DATE (RENEWAL DATE)
	4,889,669	January 19, 2016

The Marks listed above are registered on the Principal Register. All required affidavits for the registered Marks have been filed.

In addition to the primary Marks listed above, you will also be granted a limited license to use DAHN YOGA for purposes of advertising that your Business offers Dahn Yoga classes. The DAHN YOGA mark was registered on the Principal Register at the USPTO on September 12, 2006 under the registration number 3,141,495. BR Consulting is also the owner of the DAHN YOGA mark.

On February 1, 2016, we entered into a Second Amended and Restated License Agreement (the “License Agreement”) with BR Consulting. Under the terms of the License Agreement, BR Consulting granted us the right to use the Marks (including the DAHN YOGA mark and any other marks owned by BR Consulting and used by us in the Body & Brain System) in the Body & Brain System and to sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms or unless either party provides notice that it does not intend to renew. BR Consulting is permitted to terminate the Trademark License Agreement only if we declare bankruptcy or become insolvent or if we commit a default under the License Agreement and fail to cure within the required period of time. We are obligated to pay a portion of all initial franchise fees and royalty fees that we receive to BR Consulting. If the License Agreement is terminated, the agreement states that all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. We and BR Consulting may amend the License Agreement at any time. Except for the License Agreement, no agreements limit our right to use or sublicense the use of the Marks.

We grant you the right to operate a franchise under the name “Body & Brain” shown on the cover page of this Disclosure Document and identify yourself as a Body & Brain franchisee. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Business or the products or services that you sell. We may change the trademarks you must use from time to time (including by discontinuing use of the Marks listed in this Item 13) and you must comply with any such change at your expense.

You must follow our rules when using the Marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Body & Brain name in the sale of any product or service that is not previously authorized by us in writing.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted. We may require your assistance, but you are not permitted to control any proceeding or litigation involving our Marks. You must modify or discontinue the use of any Mark licensed to you if we are required to modify or discontinue use of the Mark as a result of litigation. If this happens, we will reimburse you for your tangible costs of compliance (e.g., changing brochures, business cards, etc.). You must not directly or

indirectly contest our or BR Consulting's right to the Marks. Except as disclosed above, we are not required under the Franchise Agreement to: (i) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (ii) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no other pending infringements, oppositions or cancellations; and no other pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. Although we have not filed any applications for copyright registration, we do claim common law copyright to the Manual, our website and all marketing materials that we prepare. During the term of your Franchise Agreement, we will allow you to use our proprietary information relating to the development, marketing and operation of a Body & Brain home-based franchise, including operating methods, specifications, techniques, procedures, marketing strategies and information comprising the System and the Manual.

You are required to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the Manual. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

We will own all data pertaining to the services offered by you under your Business. We will also own all customer files, accounts and contracts, all of which must be assigned to us (upon our request) following the expiration, termination or transfer of your Franchise Agreement. In addition, if one of your members switches their membership or customer agreement to another Body & Brain franchisee or company-owned business, we may transfer the account and all data pertaining to that member to the Body & Brain franchisee or company-owned business to which the membership or customer agreement was transferred.

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

You (the franchise owner) must be directly involved in the day-to-day management and supervision of your Business on a full time basis. Each owner must successfully complete the initial training program. We anticipate that most franchisees will only have 1 owner. By signing the Franchise Agreement, each owner agrees to be bound by all of its terms.

You have the right, but not the obligation, to hire a manager to assist you with the operation of your Business. Each manager must: (i) be approved by us (we have the right to require that the manager visit our headquarters for an interview); (ii) successfully complete the initial training program (and you pay us the \$10,000 initial training fee); and (iii) sign a Brand Protection Agreement, the form of which is attached to the Franchise Agreement as Attachment "C". We do not require that the manager own any equity interest in franchisee if the franchisee is an entity.

We do not require the spouse of a franchise owner to guarantee performance of the franchise. Further, the

spouse of an owner has no confidentiality or non-competition obligation under any agreement, unless the spouse has a direct or indirect ownership interest in the franchise or in the franchisee, if the franchisee is an entity.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products and services that you sell must be approved by us in advance. You must offer all services that we specify, but you are not required to offer inventory for resale. You may not sell any products or services that we have disapproved. We have the unrestricted right to change the products and/or services that you may sell. You may not sell to any person who is a current member or customer of another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer. To the extent permitted by law, we may establish maximum or minimum pricing for certain Body & Brain products and services.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

In the table below, the “Franchise Agreement” sections are referred to as “FA” and the “Software Service Agreement” sections are referred to as “SSA”.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of the franchise term	FA: Section 3.1	Term is equal to 3 years.
	SSA: Section 1.1	Term is 1 month and automatically continues for 1 month periods until either party terminates.
b. Renewal or extension of the term	FA: Section 3.1 & 3.2	If you are in good standing, you can enter into a successor franchise agreement for 4 additional consecutive 3-year successor terms.
	SSA: Section 1.1	The term automatically renews on a month-to-month basis until either party terminates.
c. Requirements for you to renew or extend	FA: Section 3.2	You must: not be in default; give us timely notice; sign our then current form of franchise agreement and related documents; sign a general release; and pay renewal fee. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	Not Applicable	The contract imposes no requirements in order to renew.
d. Termination by you	FA: Section 19.1	You can terminate at any time prior to attending the initial training program by providing written notice. You may also terminate if we fail to cure a material default or if you and we mutually agree to terminate.
	SSA: Section 1.2	You can terminate only if BBYHC fails to cure a default or if you and BBYHC mutually agree to terminate. Either party can terminate upon 30 days’ notice but you are required by the Franchise Agreement to use the BRMNet software.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
e. Termination by us without cause	FA: Section 19.4	We may not terminate without cause unless you and we mutually agree to terminate.
	SSA: Section 1.1 & 1.2	BBYHC may terminate upon 30 days' prior notice. It may also terminate upon 10 days' notice if you fail to cure a default.
f. Termination by us with cause	FA: Section 19.2 & 19.3	We can terminate only if you default.
	SSA: Section 1.1	BBYHC may terminate upon 30 days' prior notice without cause.
g. "Cause" defined - curable defaults	FA: Section 19.3	You have 30 days to cure any default other than defaults described below under "non-curable defaults."
	SSA: Section 1.2	All defaults have a 10 day cure period.
h. "Cause" defined - non-curable defaults	FA: Section 19.2	The following defaults cannot be cured: failure to open in required time; insolvency, bankruptcy or seizure of assets; abandonment of franchise; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; failure to pay us or affiliate within 5 days after demand; 2nd underreporting of any amount due by at least 3%; unauthorized transfers; unauthorized use of our intellectual property; violation of a brand protection covenant; termination of any other agreement between you and us or an affiliate due to your default.
	SSA: Not Applicable	No defaults are listed as non-curable under the SSA.
i. Your obligations on termination/non-renewal	FA: Section 20 Referral Agreement: Section 3	Obligations include complete return of Manuals and all branded materials, assignment of telephone numbers, listings and domain names, assignment of member agreements and customer data to us, cancellation of fictitious names, and payment of amounts due (also see "r", below). To protect the goodwill associated with our Marks, you must also follow all policies we specify for a period of up to 1 year after the termination / expiration date to address customer related issues, including transfer of memberships or customer agreements and issuance of refunds (you would be responsible for any refunds). You must also comply with the commission refund requirement under Section 3 of the Referral Agreement, including after termination or expiration of that agreement.
	SSA: Not Applicable	No obligations specified
j. Assignment of contract by us	FA: Section 18.1	No restriction on our right to assign.
	SSA: 10.3	SSA does not restrict ability of BBYHC to assign.
k. "Transfer" by you –	FA: Section 18.2	Includes transfer of contract or assets, or ownership change.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
definition	SSA: Section 10.3	Includes assignment of rights, delegation of duties, hypothecation, transfer, mortgage, sublet, license or encumbrance of rights, duties or other interests in SSA.
l. Our approval of transfer by you	FA: Section 18.2 & 18.3	If certain conditions are met, you may transfer to a newly-formed entity owned exclusively by you. We have the right to approve all other transfers (including the addition of new owners) but will not unreasonably withhold approval.
	SSA: Section 10.3	BBYHC must approve transfer in writing.
m. Conditions for our approval of transfer	FA: Section 18.2	Transferee must meet our qualifications, successfully complete the initial training program (and pay initial training fee), obtain all required licenses and permits, and sign a new franchise agreement for the remainder of the term. You must be compliant with your Franchise Agreement, pay us transfer fee and sign a general release.
	SSA: Section 10.3	Must obtain BBYHC's approval in writing.
n. Our right of first refusal to acquire your business	FA: Not Applicable	Not Applicable
	SSA: Not Applicable	Not Applicable
o. Our option to purchase your business	FA: Not Applicable	Not Applicable
	SSA: Not Applicable	Not Applicable
p. Your death or disability	FA: Section 18.4	Within 6 months, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers.
	SSA: Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	FA: Section 13.2 & 13.3	No involvement in competing business; comply with non-solicitation and non-disclosure covenants.
	SSA: Section 4.4	May not reverse engineer, decompile, reproduce, publish, sell, sublicense, transfer, rent or distribute the software.
r. Non-competition covenants after the franchise is terminated or expires	FA: Section 13.4 [See also Section 5 of Training Agreement]	No involvement for 2 years in competing business within 15 miles of any Body & Brain Center or Dahn Yoga Center; comply with non-solicitation and non-disclosure covenants; cease use of know-how and trade secrets. If you sign a Training Agreement but do not sign a Franchise Agreement, you will be subject to similar obligations under Section 5 of the Training Agreement.
	SSA: Section 4.4	May not reverse engineer, decompile, reproduce, publish, sell, sublicense, transfer, rent or distribute the software.
s. Modification of the agreement	FA: Section 23.8	Requires writing signed by both parties. Other modifications primarily to comply with various states laws.
	SSA: Section 10.7	Requires writing signed by both parties. Other modifications primarily to comply with various states laws.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
t. Integration/merger clause	FA: Section 23.8	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
	SSA: Section 10.7	Only the terms of the SSA and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and SSA may not be enforceable. Nothing in the SSA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: Section 21	Except for certain claims, all disputes must be arbitrated or mediated (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).
	SSA: Section 9.1	All disputes must be mediated and then arbitrated (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).
v. Choice of forum	FA: Section 21	Arizona (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).
	SSA: Section 9	Arizona (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).
w. Choice of law	FA: Section 23.1	Arizona (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).
	SSA: Section 10.4	Arizona (except as otherwise disclosed in <u>EXHIBIT "I"</u> to this Disclosure Document).

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make these 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 Federal Trade

Commission, the appropriate state regulatory agencies, and our management by contacting our franchisee support at 2812 N. Norwalk, 14-128, Mesa, AZ 85215 or by phone at (480) 550-8644.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY
FOR YEARS 2023 TO 2025**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	6	6	0
	2024	6	6	0
	2025	6	6	0
Company-Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Total Outlets	2023	6	6	0
	2024	6	6	0
	2025	6	6	0

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR YEARS 2023 TO 2025**

State	Year	Number of Transfers
Total	2023	0
	2024	0
	2025	0

**TABLE 3 - STATUS OF FRANCHISED OUTLETS
FOR YEARS 2023 TO 2025**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Maryland	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New Jersey	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New York	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Texas	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Totals	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2023 TO 2025							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2025			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Total	0	0	0

Notes:

1. Our fiscal year ends on December 31. All references to years in these Tables refer to December 31 of that year. The outlets listed in Tables 1 through 4 only refer to outlets that are open on the relevant date.
2. The transfers listed in Table 2 only refer to outlets that were transferred after opening. No franchisees transferred their franchise agreements for unopened outlets in 2023, 2024 or 2025.
3. The transactions listed in Table 3 only refer to franchisees that left the system after opening their outlets. No franchisees left the system prior to opening in 2023, 2024 or 2025.
4. The outlets listed in the 2nd column in Table 5 (“Franchise Agreements Signed But Outlet Not Opened”) include all franchise agreements that were signed for unopened centers as of December 31, 2025. The outlets listed in the 3rd column in Table 5 (“Projected New Franchised Outlets in the Next Fiscal Year”) include all outlets that we expect to open during the current fiscal year, including any outlets listed in the 2nd column that we expect to open this fiscal year.

A list of all current Body & Brain home-based franchisees is attached to this Disclosure Document as EXHIBIT "J" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2025. In addition, EXHIBIT "J" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, no current or former Body & Brain home-based franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system. There are no: (i) trademark-specific franchisee organization associated with the franchise system offered that we have created, sponsored or endorsed; or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements of Body and Brain Center, LLC for the years ended December 31, 2025,

December 31, 2024 and December 31, 2023 are attached to this Disclosure Document as EXHIBIT "K".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Training Agreement
EXHIBIT "E" General Release
EXHIBIT "F" Referral Agreement
EXHIBIT "G" Software Service Agreement

Attachments to Franchise Agreement

Attachment "B"	ACH Authorization Form
Attachment "C"	Brand Protection Agreement
Attachment "D"	State Addendum

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.

ITEM 23 RECEIPT

EXHIBIT "L" to this Disclosure Document contains detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

STATE AGENCIES AND ADMINISTRATORS

<u>CALIFORNIA</u> Commissioner of Department of Financial Protection and Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677 <u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agent for Service of Process</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division, Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62701 (217) 782-4465 <u>INDIANA</u> Indiana Secretary of State, Securities Division 302 West Washington Street, Room E-108 Indianapolis, Indiana 46204 (317) 232-6681	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360 <u>MICHIGAN</u> Franchise Administrator Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117 <u>MINNESOTA</u> Department of Commerce Director of Franchise Registration 85 Seventh Place East, #280 St. Paul, MN 55101-3165 (651) 539-1600 <u>NEW YORK</u> New York State Department Of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-6684 <u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712	<u>RHODE ISLAND</u> Department of Franchise Regulation 233 Richmond Street, #232 Providence, Rhode Island 02903 (401) 222-3048 <u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Securities 445 E Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823 <u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1st Floor (service of process) 9th Floor (administrator) 1300 East Main Street Richmond, VA 23219 (804) 371-9051 <u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 West Washington Avenue Madison, Wisconsin 53703 (608) 261-9555
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EXHIBIT "B"
TO DISCLOSURE DOCUMENT
FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

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

EXHIBIT "C"
TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]

Body and Brain Center, LLC Franchise Agreement

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Attachments

Attachment "A"	Definitions
Attachment "B"	ACH Authorization Form
Attachment "C"	Brand Protection Agreement
Attachment "D"	State Addendum

BODY & BRAIN FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is entered into this ____ day of _____, 20__ (the “Effective Date”) between Body and Brain Center, LLC, an Arizona limited liability company (“we” or “us”), with principal offices at 2812 N. Norwalk, 14-128, Mesa, AZ 85215 and the franchisee signing this Agreement below (“you”).

1. DEFINITIONS. Capitalized terms used in this Agreement are defined either in the body of this Agreement or in Attachment "A". For capitalized terms that are defined in the body of this Agreement, Attachment "A" lists the Sections of this Agreement in which such terms are defined.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise. We hereby grant you a license to own and operate a Body & Brain home-based franchise (your “Business”) using our Intellectual Property. You are not granted any territory and have no exclusive or protected territorial rights. You are not restricted to operating in any defined area, although you may not operate outside the state in which your home office is located without our prior written approval. We reserve all rights not expressly granted to you under this Agreement.

2.2 Option for Conversion. You have the option to convert to a Body & Brain Center franchise if you and your Owners (as applicable): (i) are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate; (ii) pay a non-refundable conversion fee of \$10,000; (iii) complete the Leadership Training provided by Body & Brain Yoga and Health Centers, Inc.; (iv) sign our then current form of franchise agreement for a Body & Brain Center franchise and all ancillary documents that we require Body & Brain Center franchisees to sign; and (v) sign a General Release.

3. TERM AND RENEWAL

3.1 Generally. The term of this Agreement will begin on the Effective Date and expire three (3) years thereafter (the “Term”). If this Agreement is the initial franchise agreement for your Business, you may enter into a maximum of four (4) successor Body & Brain franchise agreements as long as you meet the conditions for renewal specified below. Each successor franchise agreement shall be the current form of franchise agreement that we use in granting Body & Brain home-based franchises as of the expiration of the Term or renewal term, as applicable. The terms and conditions of each successor franchise agreement may vary materially and substantially from the terms and conditions of this Agreement. Each renewal term will be for three (3) years, for a maximum total term of 15 years. You will have no further right to operate your Business following the expiration of the fourth (4th) renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a successor franchise agreement, the renewal provisions in your original franchise agreement will govern your remaining renewal rights, if any.

3.2 Renewal Requirements. In order to enter into a successor franchise agreement, you and the Owners (as applicable) must: (i) notify us in writing of your desire to enter into a successor franchise agreement not less than 180 days nor more than 360 days before the expiration of the Term or renewal term, as applicable; (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the successor franchise agreement; (iii) sign the successor franchise agreement and all ancillary documents that we require franchisees to sign; (iv) sign a General Release; (v) pay us a \$500 renewal fee; and (vi) take any additional action that we reasonably require. The renewal fee shall be fully earned by us and non-refundable once the successor franchise agreement has been signed.

4. TRAINING, WORKSHOPS AND CONFERENCES

4.1 Initial Training Program. All of your Owners and managers must attend successfully complete our initial training program before you may sign this Agreement.

4.2 Optional Periodic Training. From time to time, we may offer refresher or additional training courses. Attendance at these training programs is optional.

4.3 Other Initial Training Programs. Before you open your Business, each of your Owners must complete the Self-Enrichment workshop and Qualified Instructor Training provided by Body & Brain Yoga and Health Centers, Inc.

4.4 Additional Training Upon Request. Upon your written request, we may provide additional training to you at a mutually convenient time. We are not required to provide this training.

4.5 National Conferences. We may hold periodic national conferences to discuss various business issues and operational and general business concerns affecting Body & Brain franchisees. Attendance at these conferences is mandatory unless: (i) an Owner or manager cannot attend due to circumstances beyond his or her control; or (ii) we provide our prior written consent that the Owner or manager is not required to attend.

4.6 Training Fees and Expenses. You are responsible for all food, lodging and travel costs that your Owners and managers incur while attending any training program, workshop or conference. You must pay us an initial training fee of \$10,000 for each person that attends our initial training program, whether before or after signing this Agreement. The initial training fee is due before training begins. We may charge a \$400 retraining fee for any person who must retake training after failing to successfully complete initial training on a prior attempt. You must pay the applicable fees to each provider of Self-Enrichment workshop and Qualified Instructor Training. If you choose to attend any optional periodic training program, or if we agree to provide any special training that you request, then you agree to pay us a training fee of up to \$150 per hour, which is due as invoiced. If we agree to travel to you to provide any training, you must also reimburse us for all costs that we incur for food, lodging and travel, which amounts are due as invoiced. We may charge you a conference registration fee of \$100 per day per person who attends our national conference, which is due as invoiced.

5. OTHER FRANCHISOR ASSISTANCE

5.1 Manual. We will lend you our confidential Operating Manual (the “Manual”) in text or electronic form for the duration of the Term. The Manual will help you establish and operate your Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

5.2 General Guidance. Based upon our periodic inspections of your operations or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Business.

5.3 Marketing Assistance. As further described in Section 8.1 and Section 8.2, we will administer the advertising fund and provide you with other marketing assistance during the Term.

5.4 Website. We will maintain the corporate website for Body & Brain franchisees that will include the information about your Business that we deem appropriate. We will also establish an intranet with our franchisees to provide operational support. We may modify the content of and/or discontinue the website and intranet at any time in our sole discretion.

5.5 Private Label Goods. We may, but need not, develop Body & Brain private label products for you to sell. You are not required to sell any of these products.

6. OPENING.

You must open your Business to the public within 180 days after the Effective Date. You may not open

your Business before: (i) at least one Owner successfully completes the initial training program; (ii) you purchase all required insurance; and (iii) you obtain all required licenses, permits and other governmental approvals. You must send us a written notice identifying your opening date immediately upon opening. You must also notify us of the address of your home office and any changes to that address.

7. MANAGEMENT OF BUSINESS

7.1 Owner Participation. You acknowledge that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement and hands-on supervision by your Owners. Each Owner must at all times be actively involved in the operation and management of the Business on a full time basis. Any new Owner that we approve must successfully complete the initial training program pursuant to Section 4.1. By signing the Franchise Agreement, each Owner agrees to be personally bound by all of its terms, even if the franchisee is an entity.

7.2 Managers. You may, but need not, engage a manager to assist you with the operation of your Business. Each manager must: (i) be approved by us (we have the right to require that the manager visit our headquarters for an interview); (ii) successfully complete the initial training program; and (iii) sign a Brand Protection Agreement.

7.3 Employees. We do not anticipate that you will hire any employees. If you do, you must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You may give your employees only the minimum amount of information and material from the Manual that is necessary. You must ensure that your employees do not make or retain any copies of the Manual or any portion of the Manual. We do not control, or have the right to control, the hiring, firing, training, discipline or day-to-day activities of your employees.

8. ADVERTISING & MARKETING

8.1 Advertising Fund.

(a) **Administration.** We have established and maintain an advertising fund, which may be used for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or appropriate ("Advertising Campaigns"). We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any Advertising Campaign. We will not use advertising fund fees to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the advertising fund and the Advertising Campaigns (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, newspaper, digital advertising and other media programs and activities and employing advertising agencies, collecting and accounting for contributions to the advertising fund, and paying for the preparation and distribution of financial accountings and marketing materials). Any surplus of funds in the advertising fund may be invested and we may lend money to the advertising fund if there is a deficit. The advertising fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the advertising fund. A financial accounting of the operations of the advertising fund, including deposits into and disbursements from the advertising fund, will be prepared annually and made available to you upon request.

(b) **Contributions from You and Us.** On the sixth (6th) day of each month, you must pay us an advertising fund fee equal to 0.5% of your Program Sales for the prior month's operations. We will deposit into the advertising fund all: (i) advertising fund fees paid by you and other franchisees (unless we allocate the fees to an advertising cooperative); (ii) fines paid by you and other franchisees; and (iii)

rebates or other payments we receive from suppliers based on franchisee purchases. Any company-owned Body & Brain Center or Body & Brain home-based business will contribute to the advertising fund on the same basis as our Body & Brain home-based franchisees. However, if we modify the amount or timing of the contributions that must be made to the advertising fund, any company-owned Body & Brain Center or Body & Brain home-based business that is established or acquired after the modification may contribute to the advertising fund utilizing the modified amount or timing. Except as stated in this Section, we have no obligation to expend our own funds or resources for any Advertising Campaign.

8.2 Marketing Assistance From Us. We will provide you with a standardized marketing plan for your Business. The marketing plan will be included in the Manual. We may create and make available to you advertising and other marketing materials at no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as needed basis.

8.3 Your Marketing Activities

(a) Generally. Although you are encouraged to engage in local advertising, you are not required to spend any minimum amount on local advertising to promote your Business. However, you must participate at your own expense in all advertising, promotional and marketing programs that we require. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of any person.

(b) Approval of Advertising. We must approve all advertising and promotional materials that were not prepared or previously approved by us before you use them (including materials that we prepare or approve and you modify). We will be deemed to have approved the materials if we fail to issue our disapproval within five (5) business days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved).

(c) Online Advertising. You may develop and maintain your own website but: (i) we must approve all of the content in advance; and (ii) we will own the domain name if it includes any Mark or any derivative of our Marks. We will also list your information on our website. You are permitted to engage in online advertising as long as we approve the content of the advertisement and means of communication in advance pursuant to Section 8.3(b). You also may advertise through approved social media accounts. At all times you must comply with any social media policy that we develop.

(d) Coupon Deals and Discount Programs. You agree to participate in all coupon deals that we specify, such as Groupon. You agree that we may enter into agreements with these companies on behalf of you and other franchisees and we have the right to collect the funds generated through the program and distribute them to franchisees based on where the services are redeemed. You also agree to participate in all discount and referral programs that we specify, such as Beneplace. In these arrangements, a third party refers potential customers to franchisees and the customers receive a discounted rate. Under these programs, you may be required to pay commissions to the party referring the customers to you. All proceeds from coupon deals or discount and referral programs will either be credited towards your obligation to pay royalty fees or we will send you a check. To the extent such proceeds for a given month exceed your required royalty fee for that month, the excess amount will be carried forward and applied against your required royalty fee in the subsequent month. If this Agreement expires and, as of the expiration date, the amount of such proceeds exceeds the total credits you have received for your required royalty fees, the excess amounts will be refunded to you within 30 days after the expiration of this Agreement. We will notify you of all coupon or discount and referral transactions pertaining to your Business in a timely manner.

8.4 Advertising Cooperative. We have the right, but not the obligation, to create one or more advertising cooperatives for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. We have the right to: (i) allocate any portion of the advertising fund fee to the advertising cooperative; (ii) determine the composition of all geographic territories and market areas for each advertising cooperative; and (iii) require that you participate in any advertising cooperative if and when established by us. If we implement an advertising cooperative, we may establish an advertising council to self-administer the advertising cooperative. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. Alternatively, we may administer the advertising cooperative ourselves. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion. You must pay the monthly cooperative advertising fee established by us or the council, as applicable, which will be due on the sixth (6th) day of each month for the prior month's operations. The initial cooperative advertising fee shall be equal to 0.5% of Program Sales. Upon the majority vote of all franchisees within the advertising cooperative, the amount of the cooperative advertising fee may be adjusted (or temporarily suspended) or the cooperative advertising fee may be eliminated altogether. If we or an affiliate of ours operate a majority of the Body & Brain home-based businesses within the advertising cooperative, we will increase the cooperative advertising fee only with the consent of all franchisees within the advertising cooperative. We will collect all cooperative advertising fees and pay them to the applicable advertising cooperative unless we administer the advertising cooperative ourselves.

8.5 Online Payment Program. We have implemented a program pursuant to which we will allow existing, new, or potential customers to pay for Introductory Class sessions, Trial Class sessions, Group Classes, and Private Classes through our website or a third-party website (the "Online Payment Program"). You agree to participate in the Online Payment Program. By participating, you agree that: (i) we will list your Business on our website or a third-party website as a Body & Brain home-based franchise that is participating in the Online Payment Program; (ii) we will allow existing, new, or potential customers of your Business to purchase Introductory Class sessions (introductory one-on-one sessions), Trial Class sessions (introductory group classes), Group Classes, or Private Classes through our website or a third-party website by electronic payment; and (iii) we may offer a discount for online payment, provided that the minimum required payment will be equal to or exceed 50% of our then-current suggested retail pricing for Introductory Class sessions, Trial Class sessions, Group Classes, or Private Classes, as applicable. The electronic payments made by customers through the Online Payment Program (referred to as "Online Payment Proceeds") attributable to purchases of Introductory Class sessions, Trial Class sessions, Group Classes, and Private Classes relating to your Business will be included in your reporting of Program Sales. All Online Payment Proceeds collected by us pertaining to your Business will be paid to you. We will notify you of all online payment transactions on our website pertaining to your Business in a timely manner.

9. OPERATING STANDARDS

9.1 Generally. You agree to operate your Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms and conditions of this Agreement and the Manual.

9.2 Operating Manual. You agree to establish and operate your Business in accordance with the Manual. The Manual may contain, among other things: (i) a description of the authorized goods and services that you may offer; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for franchisees; (iii) mandatory reporting and insurance requirements; and (iv) a written list of items (or specifications for items) you must purchase for your Business and a list of any designated or approved suppliers for these items. We can modify the Manual at any time. The modifications will become binding 30 days after we send you notice of the modification. All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

9.3 Authorized Goods and Services. You agree to offer all services that we require from time to time in our commercially reasonable discretion. You may, but need not, offer the products that we authorize from time to time. You may not offer any other goods or services without our prior written permission. You may not use your Business for any purpose other than providing the goods and services that we authorize. We may, without obligation to do so, add or delete authorized goods and services. Our discontinuance of one or more goods or services shall not constitute a termination of the franchise or this Agreement.

9.4 Suppliers and Purchasing. You agree to purchase or lease all products, supplies, equipment and other items specified in the Manual from time to time. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include us or our affiliates). If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we will deposit these amounts into the advertising fund. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 60 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 60-day period.

9.5 Software and Technology. You must utilize all software and technology that we specify. We may change the software or technology that you must use at any time. We may also develop proprietary software or technology that must be used by franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. All fees referenced in this Section are due as invoiced. Currently, we require that you utilize the web-based point of sale system, BRMNet, provided by Body & Brain Yoga and Health Centers, Inc. ("BBYHC"). You must sign the Software Service Agreement required by BBYHC and perform all of your obligations under the Software Service Agreement, including payment of the monthly fees.

9.6 Customer Complaints and Refunds. If you receive a customer complaint, you must follow the customer complaint resolution process that we specify to protect the goodwill associated with the Marks. If you fail to follow the complaint resolution process, then, in addition to any other remedies available to us under this Agreement, we reserve the right to impose a fine of up to \$500 per occurrence, up to a maximum of \$2,500 for the same violation. You agree to comply with any refund policy that we specify from time to time, including in situations where a member transfers their membership or customer agreement.

9.7 Failure to Comply with Standards. You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures and you fail to correct the non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to \$500 per occurrence, up to a maximum of \$2,500 for the same violation.

10. FRANCHISE ADVISORY COUNCIL. We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as advertising, marketing, operations and new service suggestions. We will consider all suggestions from the advisory council in good faith, but we are not bound by any such suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures

governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You will have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counterproductive manner, as determined by us in our discretion. As a member, you will be entitled to all voting rights and privileges granted to other members of the council. Each member will be granted one vote on all matters on which members are authorized to vote.

11. FRANCHISEE AS ENTITY. If you are an Entity, you agree to provide us with a list of all of your Owners. All Owners of the Entity (whether direct or indirect) are jointly and severally responsible for the Entity's performance of this Agreement and each Owner is bound by all of the terms of this Agreement. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.

12. FEES

12.1 Royalty Fee. On the sixth (6th) day of each month, you agree to pay us a royalty fee equal to 10% of your Program Sales generated during the preceding month.

12.2 Other Fees and Payments. You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement (such as training fees, renewal fees, transfer fees, etc.) in a timely manner.

12.3 Late Fee. If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us interest on the amounts past due at the rate equal to the lesser of 18% per annum (prorated on a daily basis), or the highest rate permitted by your State's law. If no due date has been specified by us, then interest begins to run ten (10) days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 12.4 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 14.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due and payable. You acknowledge that this Section 12.3 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business.

12.4 Method of Payment. You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "Account") for: (i) all fees payable to us pursuant to this Agreement; and (ii) any amounts that you owe to us or any of our affiliates for the purchase of goods or services. Our current form of ACH Authorization Form is attached to this Agreement as Attachment "B". You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your Account for these amounts. All fees and costs payable by you under this Agreement, and any other amounts owed to us or our affiliates for the purchase of goods or services, will be electronically debited from the Account. We will debit your Account for these payments on or after the due date. You must deposit into the Account all revenues that you generate from the operation of your Business. You must make the funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 12.3. We reserve the right to broaden our Online Payment Program to allow your customers to pay for your products and services online. In such event, we will collect all proceeds, deduct all fees owed to us and our affiliates, and promptly remit the balance to you.

12.5 Application of Payments. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

13. BRAND PROTECTION COVENANTS

13.1 Reason for Covenants. You acknowledge that our Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect our Intellectual Property and our franchise system.

13.2 Our Know-how. You and the Owners agree: (i) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Business pursuant to this Agreement; (ii) you and the Owners will maintain the confidentiality of the Know-how at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any Know-how; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you and the Owners will stop using the Know-how immediately upon the expiration or termination of this Agreement, and any Owner who ceases to be an Owner before the expiration or termination of the franchise will stop using the Know-how immediately at the time he or she ceases to be an Owner.

13.3 Unfair Competition During Term. You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities ("Prohibited Activities"): (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative or agent) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); (iii) selling any Body & Brain products or services to any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or has a customer agreement; or (iv) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

13.4 Unfair Competition After Term. During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

13.5 Immediate Family Members. The Owners acknowledge that they could circumvent the purpose of Section 13 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 13 if any member of his or her immediate family engages in any Prohibited Activities or uses or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Know-how to the family member.

13.6 Managers. You must ensure that each manager you engage signs and sends us a Brand Protection Agreement before serving as a manager. You must use your best efforts to ensure that these individuals comply with the terms of the Brand Protection Agreements and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Brand Protection Agreement, including reasonable attorneys' fees and court costs.

13.7 Covenants Reasonable. You and the Owners acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Body & Brain franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Business; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 13 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

13.8 Breach of Covenants. You and the Owners agree that failure to comply with the terms of this Section 13 will cause substantial and irreparable damage to us and/or other Body & Brain franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 13 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 13.

14. YOUR OTHER RESPONSIBILITIES

14.1 Insurance. For your protection and ours, you agree to maintain the following insurance policies: (i) professional liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate (with a maximum deductible of \$1,000 per claim); and (ii) any other insurance that we specify in the Manual from time to time. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. All insurance policies must: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive ten (10) days prior written notice of the termination, expiration, cancellation or modification of the policy. You must provide us with a certificate of insurance along with the additional insured endorsement. If any of your insurance companies fail to give us notice as required in this Section, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten (10) days notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, on demand, all costs and premiums that we incur.

14.2 Books and Records. You agree to prepare and maintain at your Business for at least five (5) years after their preparation complete and accurate books, records, accounts and tax returns pertaining to your Business. You must send us copies of your books and records within seven (7) days of our request.

14.3 Reports. As of the Effective Date, you are required to use software that automatically generates reports regarding the operation of your Business and you are not required to provide periodic reports of gross revenues, expenses or Program Sales. However, we reserve the right to impose this requirement at any time. Accordingly, upon our request, you must prepare and provide to us a monthly statement of gross revenues (with Program Sales separately identified) and expenses for your Business no later than the second (2nd) day of each month for the prior month's operations. You must provide any other report that we require in the form and manner that we require. We have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Business.

14.4 Financial Statements. Within 90 days after the end of each fiscal year, you must prepare (and furnish to us upon request) a balance sheet as of the end of the calendar year and an annual statement of profit and loss and source and application of funds for your Business. All financial statements that we require must be: (i) verified and signed by you certifying to us that the information is true, complete, and accurate; and (ii) submitted in any format that we reasonably require. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

14.5 Legal Compliance. You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Business and operate and manage your Business in full compliance with all applicable laws, ordinances, rules and regulations. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

15. INSPECTION AND AUDIT

15.1 Inspections. To ensure compliance with this Agreement, we or our representatives will have the right to evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include watching or participating in your classes and contacting your students and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

15.2 Audit. We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Program Sales, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 12.3. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Agreement; or (ii) reveals an understatement of any amount due to us by at least three percent (3%), in which case you agree to pay us \$2,500 plus our actual cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The \$2,500 fee and audit cost reimbursements will be due ten (10) days after invoicing.

16. INTELLECTUAL PROPERTY

16.1 Ownership and Use of Intellectual Property. You acknowledge that: (i) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Business during the Term pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

16.2 Data and Customer Accounts. We will own all data pertaining to the services offered by you under your Business. We may utilize such data to evaluate and improve our services, protocols and processes or for any other purpose. We may provide or sell non-personally identifiable data to third parties in our discretion. We will also own all customer files, accounts and contracts, all of which shall be assigned to us (upon our request) following the expiration, termination or Transfer of this Agreement. In addition, you agree that if one of your members switches their membership or customer agreement to another Body & Brain franchisee or company-owned business, we may transfer the account and all data pertaining to that member to the Body & Brain franchisee or company-owned business to which the membership or customer agreement was transferred.

16.3 Changes to Intellectual Property. We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions by us within 30 days at your cost. You waive all claims arising from or relating to any change, modification, substitution or discontinuation of the Intellectual Property. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

16.4 Use of Marks. You agree to use the Marks as the sole identification of your Business; provided, however that you must identify yourself as the independent owner of your Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

16.5 Use of Know-how. We will disclose the Know-how to you by furnishing certain specifications and guidance with respect to your Business in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms and conditions of this Agreement in the development and operation of your Business during the Term. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Business during the Term.

16.6 Improvements. If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a Body & Brain Center or Body & Brain home-based franchise, or any advertising or promotional ideas related to such business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any such Improvement approved by us may be used by us and any third parties that we authorize to operate a Body & Brain franchise, without any obligation to you royalties or other fees. You must assign to us or our designees, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Body & Brain business.

16.7 Notification of Infringements and Claims. You must immediately notify us of any: (i) apparent infringement of any of our Intellectual Property; (ii) challenge to your use of any of our Intellectual Property; or (iii) claim by any person of any rights in any of our Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

17. INDEMNITY. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the marketing, use or operation of your Business or your performance and/or breach of any of your obligations under this Agreement; (ii) any other Claim arising from alleged violations of your relationship with and responsibility to us; or (iii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys’ fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys’ fees.

18. TRANSFERS

18.1 By Us. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

18.2 By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any

proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a Body & Brain home-based franchise and otherwise meets all of our then applicable standards for franchisees;
- (ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;
- (iii) all of the owners of the transferee have successfully completed or made arrangements to attend the initial training program (and the transferee has paid us the initial training fee for each new owner and manager who attends training);
- (iv) the transferee and its owners sign our then current form of franchise agreement, except that the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement;
- (v) you or the transferee pay us a \$3,000 transfer fee to defray expenses that we incur in connection with the Transfer;
- (vi) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer; and
- (vii) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

18.3 Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you must give us at least ten (10) days prior written notice. You and the Owners agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

18.4 Death or Disability of an Owner. Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 18.3. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

19. TERMINATION

19.1 By You. You may terminate this Agreement if you are in compliance with this Agreement and we materially breach this Agreement and fail to cure the breach within 90 days after you deliver to us a written notice specifying the nature of the breach. You may also terminate at any time prior to attending our initial training program by providing written notice to us. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 20 and all other obligations that survive the expiration or termination of this Agreement.

19.2 Termination By Us Without Cure Period. We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons,

all of which constitute material events of default under this Agreement:

- (i) if you fail to open your Business in the time and manner required by Section 6;
- (ii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Business, even if you or the Owner still maintain appeal rights;
- (iii) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (iv) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;
- (v) if you abandon, surrender, transfer control of or fail to actively manage or operate your Business for three (3) consecutive business days, unless the failure is due to an event of force majeure or another reason approved by us;
- (vi) if you fail or refuse to pay any amount owed to us or an affiliate of ours within 5 days after receipt of a demand for payment;
- (vii) if you underreport any amount owed to us by at least three percent (3%), after having already committed a similar breach that had been cured in accordance with Section 19.3;
- (viii) if you are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense, or are subject to any administrative disciplinary action, that is in our sole discretion likely to adversely affect the reputation of the System or the goodwill associated with Body & Brain Centers, Body & Brain home-based franchises, or the Marks;
- (ix) if you manage or operate your Business in a manner that presents a health or safety hazard to your customers, employees or the public;
- (x) if you or an Owner makes any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (xi) if you or an Owner makes an unauthorized Transfer;
- (xii) if you or an Owner makes an unauthorized use of our Intellectual Property or commits an act that can be reasonably expected to materially impair the goodwill associated with the Marks;
- (xiii) if you or an Owner breaches any of the brand protection covenants described in Section 13;
- (xiv) if you fail to comply with any material federal, state or local law or regulation applicable to the operation of your Business; or
- (xv) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

19.3 Additional Conditions of Termination. We may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Agreement (other than the defaults listed in Section 19.2 above) or any other agreement with us, or any mandatory specification, standard or operating procedure prescribed by us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 19.3, we may suspend performance of any of our obligations under this Agreement until such time that you have fully cured the breach.

19.4 Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived the notice period in Section 19.2 and Section 19.3.

20. POST-TERM OBLIGATIONS

After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Section 13 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- (iv) return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a Body & Brain business, unless we allow you to transfer such items to an approved transferee;
- (v) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (vi) provide us with a list of all of your current, former and prospective customers;
- (vii) assign all customer contracts and information to us (unless we allow you to transfer those contracts to an approved transferee);
- (viii) follow all policies we specify for a period of up to one (1) year after the termination or expiration date to address customer related issues, including transfer of memberships or customer agreements and issuance of refunds (you will be responsible for all requested refunds);
- (ix) notify all telephone companies, listing agencies and domain name registration companies (collectively, the "Agencies") of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (x) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

21. DISPUTE RESOLUTION. Unless otherwise prescribed by law, the parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the interpretation of this Agreement or

issues relating to the offer and sale of the franchise or the relationship between you and us or between you and any Indemnified Party (a “Dispute”) to mediation before a mutually-agreeable mediator prior to arbitration. If the Dispute cannot be resolved by mediation, the parties will submit the dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Notwithstanding the foregoing, any Dispute that involves an alleged breach of Section 13 or Section 16 of this Agreement will not be subject to mediation or arbitration unless otherwise agreed to by both parties, and either party may immediately file a lawsuit in accordance with this Section with respect to any alleged breach of Section 13 or Section 16. All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Maricopa County, Arizona) and the parties irrevocably waive any objection to such venue. If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. **UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 13 OR SECTION 16) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. UNLESS OTHERWISE PRESCRIBED BY LAW, WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.**

22. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT: (i) YOU RECEIVED AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

23. GENERAL PROVISIONS

23.1 Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

23.2 Relationship of the Parties. You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of

the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

23.3 Severability and Substitution. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

23.4 Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Body & Brain franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

23.5 Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

23.6 Force Majeure. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

23.7 Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 14.1 and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 14.1 and Section 17, respectively.

23.8 Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND, EXCEPT AS PERMITTED BY SECTION 9.2 AND SECTION 23.3, MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. The attachment(s) are part of this Agreement, which constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define

the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. To the extent that any provision in the Maryland Addendum attached to this Agreement is inconsistent with any provision in this Agreement, the provision in the Maryland Addendum shall control.

23.9 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

23.10 Rights of Parties are Cumulative. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

23.11 Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitations, Section 12, Section 13, Section 15, Section 17, Section 20, Section 21 and Section 23.

23.12 Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

23.13 Time of Essence. Time is of the essence in this Agreement and every term thereof.

23.14 Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

23.15 Notice. All notices given under this Agreement must be in writing, delivered by hand, telegram or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

YOU: As set forth below your signature on this Agreement

US: Body and Brain Center, LLC

2812 N. Norwalk, 14-128
Mesa, AZ 85215

WITH A COPY TO: Temani F. Aldine, Esq.
2500 S. Power Rd., Suite 126-3
Mesa, Arizona 85209

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by telegraph or comparable electronic or computer system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

23.16 Effectiveness of Statement, Questionnaire, or Acknowledgement. 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.

[Signature page follows]

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Body and Brain Center, LLC, an Arizona
limited liability company

By: _____
Name: _____
Its: _____

YOU (If you are an entity):

_____,
a(n) _____
By: _____
Name: _____
Its: _____

***By signing below, each individual owner of
a direct or indirect interest in the franchisee
entity agrees to be bound by all of the terms
and conditions of the Franchise Agreement.**

Name: _____

Name: _____

Name: _____

Name: _____

Franchisee Principal Business Address:

YOU (If you are not an entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO BODY & BRAIN FRANCHISE AGREEMENT

DEFINITIONS

"Account" is defined in Section 12.4.

"Advertising Campaign" is defined in Section 8.1(a).

"Agencies" is defined in Section 20(ix).

"Agreement" is defined in the Introductory Paragraph.

"Body & Brain Center" means a retail based center focused on offering physical aspects of holistic health services, which are primarily offered in group class settings, and operated using our Intellectual Property as a substantial and indispensable part of operating the center.

"Brand Protection Agreement" means our form of Brand Protection Agreement, the most current form of which is attached to this Agreement as Attachment "C".

"Business" is defined in Section 2.1.

"Claim" or *"Claims"* means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

"Competitive Business" means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides brain based education, Yoga, Tai chi or Qi-Gong.

"Copyrights" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Body & Brain franchisees to use, sell or display in connection with the marketing and operation of a Body & Brain business, whether now in existence or created in the future.

"Dispute" is defined in Section 21.

"Effective Date" is defined in the Introductory Paragraph.

"Entity" means a corporation, partnership, limited liability company or other form of association.

"General Release" means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees.

"Improvements" is defined in Section 16.6.

"Indemnified Party" or *"Indemnified Parties"* means us and each of our past, present and future owners, members, officers, directors, managers, employees, consultation service providers, and agents, as well as our parent company, subsidiaries, affiliates the owners or creators of the Intellectual Property, persons or entities allegedly controlling or acting in concert with us, persons or entities that refer customers to your Business, and persons or entities to whom your Business refers its customers, and each of their respective past, present and future owners, members, officers, directors, founders, managers, employees and agents.

"Intellectual Property" means, collectively or individually, our Marks, Copyrights, Know-how, Improvements and System.

"Know-how" means all of our and our affiliates' trade secrets and other proprietary information relating to the development or operation of a Body & Brain home-based franchise, including, but not limited to, methods, techniques, specifications, procedures, marketing strategies and information comprising the System and the Manual.

"Losses and Expenses" means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against Claims;

settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party.

“Manual” is defined in Section 5.1.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Body & Brain home-based franchise, including *“Body & Brain”* and any other trademarks, service marks or trade names that we designate.

“Online Payment Proceeds” is defined in Section 8.5.

“Online Payment Program” is defined in Section 8.5.

“Owner” or *“Owners”* means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. *“Owner”* includes both passive and active owners.

“Permitted Transfer” means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer; and/or (ii) a Transfer to a newly established Entity for which the approved Owners collectively own and control 100% of the ownership interests and voting power.

“Post-Term Restricted Period” means a period of two (2) years after the termination, expiration or Transfer of this Agreement or two (2) years after the Transfer of an ownership interest by an Owner, as applicable; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the *“Post-Term Restricted Period”* means a period of one (1) year after the termination, expiration or Transfer of this Agreement or one (1) year after the Transfer of an ownership interest by an Owner, as applicable.

“Program Sales” means all gross sums collected by you or us from all services sold in connection with your Business, including private class fees, group class fees, outreach class fees, worksite class fees, referral fees and the proceeds of any business interruption insurance that you receive. *“Program Sales”* do not include: (i) revenues from product sales; (ii) revenues that you collect from a customer and later refund to that customer; or (iii) any sales or use taxes that you pay to a government agency. If you include an amount as Program Sales for a given reporting period but that amount is subsequently refunded to the customer, the amount of the refund may be deducted from Program Sales for your next reporting period.

“Prohibited Activities” is defined in Section 13.3.

“Restricted Territory” means the geographic area within: (i) a 15 mile radius from your home office (and including your home office itself); and (ii) a 15 mile radius from all Body & Brain Centers and Dahn Yoga Centers that are operating or under construction as of the Effective Date; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the *“Restricted Territory”* means the geographic area within a ten (10) mile radius from your home office (and including your home office itself).

“System” means our unique system for operating a Body & Brain home-based franchise, the distinctive characteristics of which include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system.

“Term” is defined in Section 3.1.

“Training Agreement” means our form of Training Agreement that we require prospective franchisees to sign before they attend the initial training program.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity

that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

ATTACHMENT "B"
TO FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
☐ Checking ☐ Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee authorizes Body and Brain Center, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of the entries to Franchisee’s account. Each debit shall be made in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in the time and manner necessary to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before the change becomes effective.

Signature: _____ Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK FOR THE BANK ACCOUNT.

ATTACHMENT "C"
TO BODY & BRAIN FRANCHISE AGREEMENT
BRAND PROTECTION AGREEMENT

[See Attached]

BRAND PROTECTION AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Body and Brain Center, LLC, an Arizona limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides brain based education, Yoga, Tai chi or Qi-Gong.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Body & Brain franchisees to use, sell or display in connection with the marketing and operation of a Body & Brain business, whether now in existence or created in the future.

“*Franchisee*” means the Body & Brain franchisee for whom you are a manager.

“*Improvements*” means any additions, modifications or improvements to (i) the goods or services offered by a Body & Brain business; (ii) the method of operation of a Body & Brain business; or (iii) any marketing or promotional ideas relating to a Body & Brain business, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Improvements and System.

“*Know-how*” means all of our and our affiliates’ trade secrets and other proprietary information relating to the development or operation of a Body & Brain home-based franchise, including, but not limited to, methods, techniques, specifications, procedures, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Body & Brain business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Body & Brain home-based franchise, including “Body & Brain”.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); (iii) selling any Body & Brain products or services to any person who is a current member of or has a customer agreement with a franchisee (other than Franchisee) or company-owned Body & Brain outlet without the consent of the person with whom the person is a member or customer; and/or (iv) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two (2) year period after you cease to be a manager of Franchisee; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one (1) year period after you cease to be a manager of Franchisee.

“*System*” means our unique system for operating a Body & Brain home-based franchise, the distinctive characteristics of which include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system.

2. Background. Franchisee engaged your services to serve as a manager. As a result of this position, you may gain knowledge of our System and Know-how. You understand that protecting our Intellectual

Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Our Know-how and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Body & Brain home-based franchise operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee. You further agree that you will not use our Intellectual Property for any purpose other than the performance of your duties for Franchisee within the scope of your employment or other engagement with Franchisee.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager of Franchisee by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within a 15 mile radius from Franchisee's home office (including the home office itself). If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Body & Brain franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of the state of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

This Brand Protection Agreement is executed as of the date or dates set forth below.

RESTRICTED PARTY

By: _____

Name: _____

Date: _____

WITNESS

By: _____

Name: _____

Date: _____

ATTACHMENT "D"
TO BODY & BRAIN FRANCHISE AGREEMENT
STATE ADDENDUM

[See Attached]

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum (the “Addendum”) is made and entered into as of _____, 20____ (the “Effective Date”), by and between Body and Brain Center, LLC, an Arizona limited liability company (“we,” or “us”), and the franchisee signing this Addendum below (“you”).

WHEREAS, you and we are parties to that certain Franchise Agreement (the “Franchise Agreement”) that has been signed concurrently with the signing of this Addendum;

WHEREAS, the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”) applies to the franchise relationship between you and us because one or more of the following apply: (i) you are a resident of Maryland; (ii) the franchise that you will operate under the Franchise Agreement will be located or operated in Maryland; or (iii) any of the offering or sales activity relating to the Franchise Agreement occurred in Maryland;

WHEREAS, the Maryland Franchise Law imposes certain requirements and limitations on franchise agreements that are subject to the Maryland Franchise Law and these requirements and limitations are set forth in this Addendum; and

WHEREAS, you and we agree to amend the Franchise Agreement to comply with the Maryland Franchise Law.

NOW, THEREFORE, you and we agree that the Franchise Agreement shall be amended in accordance with the terms of this Addendum.

1. Amendments to Franchise Agreement. The Franchise Agreement is hereby amended to incorporate the following provisions:

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

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

(c) You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.

(d) The Franchise Disclosure Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

(e) Any provision in the Franchise Agreement limiting the time period in which you may assert a legal claim against us under the Maryland Franchise Law is amended to provide for a three (3) year statute of limitations for purposes of bringing a claim arising under the Maryland Franchise Law. This provision also amends any limitation on the period of time in which you may bring an arbitration claim.

(f) Any acknowledgements or representations of you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

(g) Based upon the Company's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the Franchise Agreement.

2. Miscellaneous.

(a) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms, conditions, covenants and agreements set forth in the Franchise Agreement shall remain in full force and effect.

(b) Inconsistency. In the event of any inconsistency between the executed Franchise Agreement and this Addendum, this Addendum shall prevail.

(c) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the date stated on the first page above.

FRANCHISOR

FRANCHISEE

Body and Brain Center, LLC

_____,a(n)_____

an Arizona limited liability company

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT "D"
TO DISCLOSURE DOCUMENT
TRAINING AGREEMENT

[See Attached]

BODY AND BRAIN CENTER LLC

TRAINING AGREEMENT

This Training Agreement (this “Agreement”) is made and entered into as of _____, 20____ (the “Effective Date”) by and between Body and Brain Center, LLC, an Arizona limited liability company (“we” or “us”), and _____ (“you”).

1 PREAMBLES.

(a) We have developed a unique system (the “System”) for the operation of a Body & Brain home-based franchise. Distinctive characteristics of the System include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system. We also have been granted a license by BR Consulting, Inc., a New Jersey corporation, to use and sublicense the logotypes, service marks, trademarks and trade dress now or hereafter involved in the operation of a Body & Brain home-based franchise, including “Body & Brain” and any other trademarks, service marks, trade names or trade dress that we designate for use in a Body & Brain home-based franchise (collectively, the “Marks”).

(b) We grant franchises to individuals that meet our qualifications to develop and operate a Body & Brain home-based franchise using the System and the Marks. You have applied for a Body & Brain home-based franchise and received and reviewed our Franchise Disclosure Document.

(c) You have requested that we allow you to attend our franchise training program prior to signing the Franchise Agreement and we have agreed to your request, but only upon the terms and conditions specified in this Agreement.

2 CONSENT TO ATTEND TRAINING PROGRAM. IF YOU SIGN THIS AGREEMENT AND PAY US THE TRAINING FEE IN SECTION 3, WE WILL ALLOW YOU TO ATTEND OUR FRANCHISE INITIAL TRAINING PROGRAM THAT BEGINS ON OR AFTER THE EFFECTIVE DATE.

3 **TRAINING FEE.** Prior to attending training, you must pay us an initial training fee of \$10,000 (the “Training Fee”), which we will credit against your initial training fee owed if you sign a Franchise Agreement before the expiration of the Franchise Evaluation Period (defined below). We will promptly refund the training fee if you notify us that you will not attend the franchise initial training program before the training program begins. The Training Fee is not refundable under any other circumstances.

4 **SIGNING OF FRANCHISE AGREEMENT.** If you successfully complete training, you will have a period of 180 days after completion of the training program (the “Franchise Evaluation Period”) to sign the Franchise Agreement that we previously offered to you. If either (i) you fail to sign the Franchise Agreement on or prior to the expiration of the Franchise Evaluation Period or (ii) you fail to successfully complete the training program, we shall have no obligation to offer you a franchise and we may keep the training fee in consideration of the training we provided to you. Further, if you do not sign the Franchise Agreement or you fail to successfully complete the training program, you understand that you must still comply with all of the terms of this Agreement.

5 COVENANTS TO PROTECT OUR INTELLECTUAL PROPERTY. You agree to

comply with all of the provisions in this Section 5, even if you fail to sign a Franchise Agreement during the Franchise Evaluation Period. If you sign a Franchise Agreement during the Franchise Evaluation Period, the provisions in this Section 5 will not apply to you after you sign the Franchise Agreement and the terms of the Franchise Agreement will supersede the terms of this Agreement.

5.1 Know-how. We possess trade secrets and other proprietary know-how, including methods, techniques, specifications, procedures, marketing strategies, information comprising the System and the operations manual, as well as information pertaining to the development and operation of a Body & Brain home-based franchise (collectively, the “Know-how”). We may disclose certain Know-how to you during the training program. You understand and acknowledge that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms and conditions of the Franchise Agreement in the development and operation of a Body & Brain home-based franchise. You acknowledge that the Know-how is proprietary and a trade secret of ours. The Know-how is disclosed to you solely on the condition that you agree, and you do agree, that you: (i) will not use the Know-how in any business or capacity other than the operation of a Body & Brain home-based franchise pursuant to the terms of a Franchise Agreement; (ii) will maintain the confidentiality of the Know-how and not disclose any of the Know-how to any person at any time; (iii) will not make unauthorized copies of any portion of the Know-how disclosed in written or electronic form; and (iv) will adopt and implement all reasonable procedures that we require to prevent unauthorized use or disclosure of any of the Know-how.

5.2 Noncompetition. For a period of two (2) years after you complete the training program, you agree that you will not compete with us or other Body & Brain franchisees, whether directly or indirectly. For purposes of the preceding sentence, you will be deemed to compete with us if you acquire, develop, own, operate, maintain or have any interest (including as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative or agent) in any business that: (i) provides brain based education, Yoga, Tai chi or Qi-Gong; and (ii) is located within a 15 mile radius from any Body & Brain Center or Dahn Yoga center that is operating or under construction as of the date you sign this Agreement. This restrictive covenant does not preclude you from owning an interest of five percent (5%) or less in a competitive business that is a publicly traded company.

5.3 Nonsolicitation. For a period of two (2) years after you complete the training program, you may not, directly or indirectly, induce or attempt to induce: (i) any franchisee of ours to leave the Body & Brain system; or (ii) any customer of ours, any affiliate of ours or any other Body & Brain franchisee to transfer their business away from us, our affiliate or any other Body & Brain franchisee to you or any other person that is not then a Body & Brain franchisee.

5.4 Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parents, siblings, children or grandchildren). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to the family member. Therefore, you acknowledge and agree that you will be presumed to have violated the terms of this Agreement if an immediate family member uses or discloses the Know-how or violates the noncompetition and/or nonsolicitation covenants above during any period of time during which you are subject to such noncompetition and/or nonsolicitation covenants. You will have the burden to furnish evidence that conclusively rebuts the presumption in the preceding sentence to avoid being in violation of this Agreement.

5.5 Reasonableness of Covenants & Enforcement. You acknowledge and agree that: (i) the covenants described in Section 5 are reasonable both in time and in scope of geographic area; and (ii) your failure to adhere strictly to the restrictions of this Section will cause substantial and irreparable damage to us for which there is no adequate remedy at law. Therefore, you acknowledge that any violation of the terms and conditions of Section 5 will give rise to an entitlement to injunctive relief. You agree that we may apply

for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. The parties agree that each section of this Agreement, including each subsection, is severable. In the event that any section or subsection of this Agreement is unenforceable, it will not affect the enforceability of any other section or subsection and each party to this Agreement stipulates and agrees that either (i) the court may impose terms that it deems in its discretion will make the covenants reasonable in terms of their scope, duration and geographical restraint or (ii) we may unilaterally reduce the scope of the covenants to the minimum extent necessary to make them reasonable and enforceable in terms of scope, duration and geographic restraint. You acknowledge and agree that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of these covenants. You waive any right to challenge these covenants as being overly broad, unreasonable or otherwise unenforceable.

6 REPRESENTATION. You hereby represent that you received an exact copy of this Agreement at least five (5) business days before the date on which this Agreement is signed.

6.1 Miscellaneous.

6.2 Binding Agreement. This Agreement shall be binding upon you and your heirs, personal representatives, successors and assigns, and shall be for the benefit of us and our respective heirs, personal representatives, successors and assigns. All provisions of this Agreement which by their nature survive termination or expiration of this Agreement shall so survive.

6.3 Governing Law. This Agreement shall be governed by, construed and enforced under the laws of the State of Arizona, whose courts shall have jurisdiction over any legal proceedings arising out of this Agreement.

6.4 Attorneys' Fees. If we retain an attorney or institute a suit against you in any way connected with this Agreement or its enforcement, we (if prevailing) shall be entitled to recover from you reasonable attorneys' fees (not to exceed actual attorneys' fees incurred) and all costs in connection with said enforcement or suit, whether or not suit is filed.

6.5 Entire Agreement. This Agreement constitutes the entire agreement and understanding between you and us and supersedes any prior or contemporaneous agreements or understandings, whether written or oral, relating to the matters contained herein, and such agreement and understanding may be altered or amended only by a writing signed by both parties hereto. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

6.6 Assignment. You may not assign this Agreement or any of your rights or responsibilities. This Agreement may be assigned by us.

6.7 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

IN WITNESS WHEREOF the parties to this Agreement have signed this Agreement effective as of the Effective Date first above written.

Body and Brain Center, LLC, an Arizona limited liability company

By: _____

Name: _____

Its: _____

You:

Name: _____

EXHIBIT "E"
TO DISCLOSURE DOCUMENT

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the “Release”) is made as of _____, 20__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Body and Brain Center, LLC, an Arizona limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the “Agreement”) pursuant to which Franchisee was granted the right to own and operate a Body & Brain Center;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, **[enter into a successor franchise agreement]** and Franchisor has consented to the transfer **[agreed to enter into a successor franchise agreement]**; and

WHEREAS, as a condition to Franchisor’s consent to the transfer **[Franchisee’s ability to enter into a successor franchise agreement]**, Releasor has agreed to sign this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer **[Franchisor entering into a successor franchise agreement]**, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, and intending to be legally bound, Releasor agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations contained in this Release, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. [_____] represents and warrants that he/she is duly authorized to enter into and sign this Release for Franchisee. Releasor represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or for any or all of them, release, acquit and forever discharge Franchisor, all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, the owners or creators of the intellectual property licensed under the Agreement, persons or entities allegedly controlling or acting in concert with Franchisor, persons or entities that referred customers to Releasor, and persons or entities to whom Releasor referred customers, and its and their past and present officers, directors, agents, partners, shareholders, members, founders, managers, employees, representatives, successors and assigns, and attorneys, and the spouses of those individuals (collectively, the “Released Parties”), from all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature no matter what, including all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or involving the signing and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released

Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Arizona.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. If it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in the action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and for the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, founders, managers and the spouses of those individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, that invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if the invalid, illegal or unenforceable provision had not been contained in this Release.

h. The Parties agree to do all other acts and things and to sign and deliver all additional agreements and instruments that any Party may reasonably require to consummate, evidence, or confirm the Release in the matter contemplated.

i. This Release does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

FRANCHISEE

_____, a

By: _____
Name: _____
Its: _____
Date: _____

STATE OF _____)
_____) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____,
by _____.

Notary Public

My commission expires:

FRANCHISEE'S OWNERS

By: _____
Name: _____
Date: _____

STATE OF _____)
_____) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

FRANCHISEE'S OWNERS

By: _____
Name: _____
Date: _____

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

By: _____
Name: _____
Date: _____

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

EXHIBIT "F"
TO DISCLOSURE DOCUMENT
REFERRAL AGREEMENT

[See Attached]

REFERRAL COMMISSION AGREEMENT

This Referral Commission Agreement (“Agreement”) is made this _____ day of _____, 20____ (“Effective Date”), between Body & Brain Yoga and Health Centers, Inc. (“we,” “our,” “ours” or “us”) and the undersigned entity or individual (“you,” “your” or “yours”). You and we are each referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, we are experienced in providing programs related to yoga, Tai chi, and other mind-body practices;

WHEREAS, you operate a business that has customers who may be interested in our programs; and

WHEREAS, you wish to introduce us to your customers in exchange of referral commissions, and we wish to enter into an arrangement to do so.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the adequacy and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Definitions

- (1) “Program” means our programs listed in Schedule A or developed after the Effective Date for which we will have determined to pay a referral commission.
- (2) “Net-of-tax Payment” means a payment actually received by us for a Program excluding all state, local, or county sales taxes.

2. Program Referral and Commission

- (1) You will promote us in your recruitment efforts with your active customers and from time to time introduce the Programs to your customers.
- (2) If you refer a person to a Program, for each payment actually made for the Program, you will be entitled to a commission equal to the Net-of-tax Payment times the commission rate specified in Schedule A (“Commission”). To be eligible for a Commission, the person referred must have a valid membership with you and/or an agreement for a Program bearing your signature or stamp. The commission rate for a Program developed after the Effective Date will be determined by us. All Programs and commission rates thereof are subject to changes by us. You will be given 2 weeks’ written notice of any modifications or changes to the Programs and/or the commission rates.
- (3) The Commission for a payment made for a Program in connection with a referral shall be paid as follows:
 - (a) COMMISSION AND PROCEDURES FOR PAYMENT BY CASH: If the payment is made in cash, you will deposit the entire amount of the payment into an account designated by us (“Designated Account”) within 3 business days after the receipt of the payment, and we will pay you the Commission for the payment within 3 weeks after the deposit.
 - (b) COMMISSION AND PROCEDURES FOR PAYMENT BY CHECK: If the payment is made by check, you must instruct the payer to make the check payable to us and deposit the check into the Designated Account within 3 business days after the receipt of the check, and we will pay you the Commission for the payment within 3 weeks after the deposit.
 - (c) COMMISSION AND PROCEDURES FOR PAYMENT BY CREDIT OR DEBIT CARD: If the payment is made by credit or debit card, you must instruct the payer to provide the credit or debit card

number and other card information as designated by us (“Card Information”), and submit the Card Information to us within 3 business days after the receipt of the Card Information, and we will pay you the Commission for the payment within 3 weeks after you submit the Card Information to us.

(4) In order to address possible constant changes in the sales strategies for the Programs and occasional additions, deletions and modifications in the contents of the Programs, you will cause your salespersons to attend, and we will provide such salespersons with, reasonable continuing education and training.

3. Refund

If there is a request for a refund attributable to a payment for which you have been paid a commission, we, but not you, will determine whether to accept the refund request and the percentage of the payment to be refunded (“Refund Percentage”). If we decide to accept the refund request, you will reimburse us the Refund Percentage of the Commission within 3 weeks after you are given notice that the refund has been paid.

4. Indemnification

You agree to indemnify and hold harmless us, our affiliates, subsidiaries, business licensors, referring persons or entities, persons or entities allegedly controlling or acting in concert with us, persons or entities participating in the delivery of the Programs, owners or creators of any training methods or intellectual property used for the Programs or by us and owners or lessors of the premises used for the Programs and all their respective employees, agents, principals, contractors, managers, officers, directors, founders, shareholders, successors and assigns, including, but not limited to, Body and Brain Center, LLC (“Indemnified Parties”) from and against any and all losses and expenses as a result of or in connection with any claim asserted against you and/or any of the Indemnified Parties arising from the marketing, use or operation of your business and/or breach of obligations that you owe any of the Indemnified Parties.

5. Dispute Resolution

Unless otherwise prescribed by law, the Parties agree to submit any claim, dispute or disagreement of any type whatsoever that arises out of, or relates in any way to, this Agreement or the relationship between you and any of the Indemnified Parties (“Dispute”) to mediation before a mediator that the Parties will have selected jointly prior to arbitration. If the Dispute cannot be resolved by mediation, the dispute will be submitted to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators will not have authority to award exemplary or punitive damages. The arbitrators shall adhere to the terms of this Agreement and shall have no power to add to or modify said terms. All mediation, arbitration and litigation shall take place in the County of Maricopa, the State of Arizona. If this Agreement must be enforced in a judicial or arbitration proceeding, the substantially prevailing Party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. THE PARTIES IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY.

6. Termination

(1) Either Party can terminate this Agreement by providing 30 days written notice. However, the Parties will still be entitled to receive any payment due at the time of the termination pursuant to the arrangement as set forth above.

(2) All provisions that expressly or by their nature survive the termination, expiration or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or transfer and until they are satisfied in full or by their nature expire, including, without limitations, paragraphs 3 through 8.

7. Entire Agreement and Enforcement

This Agreement supersedes and integrates any previous oral or written agreements relating to the subject matter and may not be changed, modified, or discharged except by written instrument duly executed by the Parties. If we do not enforce any right in this Agreement for any reason, it does not waive its right to enforce it later.

8. Severability

If any provision, subsection, phrase or sentence of this Agreement, including any subparts, is found to be void, invalid, or unenforceable by a court of competent jurisdiction, that provision shall be severed but the remaining portions of this Agreement, including all subparts, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have hereto executed this Agreement effective as of the Effective Date.

WE:

YOU:

Body & Brain Yoga and Health Centers, Inc., an
Arizona corporation

Address: _____

Address: _____

By: _____

Sign: _____

Schedule A

No.	Program Name	Commission Rate
1	Brain Management Training	30%
2	Dahn Master Course	30%
3	DMD Black Level 1	30%
4	DMD Black Level 2	30%
5	DMD Blue Belt	30%
6	DMD Red Belt	30%
7	Finding True Self	30%
8	GwangMyung Arrow Training	10%
9	Hawaii ChunHwa Meditation Tour	10%
10	IA	30%
11	Internship	0%
12	Korea Meditation Tour	10%
13	Life Transformation Course	30%
14	Love Heals Retreat	30%
15	MIT	0%
16	New Zealand Meditation Tour	10%
17	Power Brain Training	30%
18	Private Session	30%
19	Regional Workshop	30%
20	Regular Class Membership (First time only)	20%
21	Solar Body Qigong	30%
22	Special Training_B.W. (Regional)	30%
23	Special Training_C.H. (Regional)	30%
24	Special Training_C.S. (Regional)	30%
25	Special Workshop	20%
26	GongSaeng Unki	10%
27	Tenerife Meditation Tour	10%
28	WaterUpFireDown Retreat	30%
29	Wisdom Pathways	10%

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
SOFTWARE SERVICE AGREEMENT

[See Attached]

SOFTWARE SERVICE AGREEMENT

This Software Service Agreement (“Agreement”) is dated _____, 20__ (“Effective Date”), and is between Body & Brain Yoga and Health Centers, Inc. (“Provider”) and the undersigned client (“Client”). Provider and Client are each referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry;

WHEREAS, Client is in need of software for accounting and customer management; and

WHEREAS, Client wishes to receive from Provider, and Provider wishes to provide to Client, certain software service subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the adequacy and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Article 1. TERM AND TERMINATION

Section 1.1. Term. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of 1 month unless sooner terminated pursuant to the terms of this Agreement (“Term”). The Term shall be extended for additional, consecutive 1 month periods, unless either Party gives the other Party written notice of termination at least 30 days prior to the expiration of the then current Term.

Section 1.2. Termination. This Agreement may be terminated by the mutual consent of the Parties. Either Party may terminate this Agreement for violation by the other Party of any material terms or conditions of this Agreement, provided that written notice has been given to such other Party of the circumstances of such default and, where the default is capable of remedy, such other Party does not remedy the default within 10 days after receipt of the written notice.

Article 2. PROVIDER OBLIGATIONS

Section 2.1. Software Service. During the Term, Provider will provide or cause to be provided software service with regard to the following as may be amended in writing by the Parties from time to time (“Software Service”): Providing and maintaining the BRMNet software, a web-based point of sale system designed to be used in electronically managing accounting, customer relationships, and customer contracts, for the operation of one wellness business without a physical location.

Section 2.2. Restoration of Data. If Client’s machine-readable files are lost, destroyed or impaired, Provider will attempt to recover a prior version of the files from back-up media maintained by Provider. If Provider is unable to restore Client’s files from back-up media, Provider will use commercially reasonable efforts to perform such restoration as can reasonably be performed using machine-readable source data furnished by Client. Any recovery or restoral efforts in addition to the foregoing or with respect to Client’s files that are lost, destroyed, or impaired by the acts or omissions of Client or its personnel or third party contractors will be performed under mutually agreed-upon terms and conditions.

Article 3. CLIENT OBLIGATIONS

Section 3.1. Fees for Software Service. During the Term, Client shall pay to Provider for the Software Service as follows: The monthly fee for the Software Service is \$29. Provider may adjust the monthly fee upon at least two (2) weeks’ prior written notice to Client.

Section 3.2. Provider Policies. Client will comply with Provider's reasonable policies, procedures, requirements, and restrictions with respect to Client's use of the Software Service.

Section 3.3. Cooperation. In order to enable Provider to perform the Software Service, Client and Provider will provide such mutual cooperation and assistance as reasonably requested by the other Party. Such cooperation and assistance shall include providing to Provider in a timely manner answers to questions, information, technical consultation, and, where applicable, acceptances. Provider shall be excused from performing its obligations to the extent Provider's performance is actually prevented or hindered by:

- (a) Client's nonperformance;
- (b) the failure by Client personnel or any Client third-party contractor to adequately perform its tasks related to the Software Service;
- (c) unreasonable, untimely, inaccurate, or incomplete information from Client;
- (d) the failure of any hardware or software that is not the fault of Provider; or
- (e) the occurrence of an event described in Section 10.1 of this Agreement;

Client agrees that, in connection with the foregoing, Provider shall be entitled to an extension of time to complete the affected Software Service and, if applicable, an adjustment of the applicable fees.

Article 4. INTELLECTUAL PROPERTY RIGHTS

Section 4.1. Provider Intellectual Property. Provider shall have sole and exclusive ownership of all right, title, and interest in and to:

- (a) The Software Service (including any images, photographs, animations, video, audio, music, text, and applets provided by Provider);
- (b) All derivatives, modifications and enhancements thereof (including ownership of all trade secrets and copyrights pertaining thereto), subject only to the rights and privileges expressly granted to Client herein by Provider; and
- (c) The portion of Client Data (as defined in Section 4.5 of this Agreement) aggregated with data obtained from other persons for the purposes of, among other things, producing indices, statistics, summaries, and industry reports for use by Provider or its other clients.

Section 4.2. Rights Granted. Provider grants Client a non-exclusive, non-transferable right to access, use, display, run, or otherwise interact with the Software Service subject to the terms and conditions set forth in this Agreement.

Section 4.3. Limitation on Rights Granted. Provider reserves all rights not expressly granted herein.

Section 4.4. Restrictions. Client shall not, in whole or in part, directly or indirectly:

- (a) reverse engineer, disassemble, decompile, translate, reproduce, modify, alter or otherwise attempt to access or derive the source code or the underlying ideas, algorithms, structure or organization of the Software Service or reduce the Software Service to a human-perceivable form;
- (b) remove any copyright notices, logos, identification or any other proprietary notices from the Software Service;

- (c) make any change to the Software Service or create any derivative works thereof;
- (d) publish, sell, rent, lease, sublicense, transfer, transmit, resell, or distribute the Software Service or any part thereof; and
- (e) share the rights to access and/or utilize the Software Service with any third party without prior written approval of Provider.

Section 4.5. Ownership of Client Data. Data stored by Client on Provider's host computer system using the Software Service ("Client Data") is owned by Body and Brain Center, LLC but may be used by Client during the term of its Body & Brain Franchise Agreement unless a member transfers its membership or customer agreement to another location or franchisee, in which case Provider may transfer such Client Data pertaining to the member to such other location or franchisee and Client will have no further rights or access to such transferred Client Data.

Article 5. CONFIDENTIALITY

Section 5.1. Non-Disclosure of Confidential Information. By virtue of this Agreement, a Party may have access to information that is confidential to the other Party ("Confidential Information"). Confidential Information includes, but is not be limited to:

- (a) Confidential and proprietary information supplied with the legend "Confidential" or equivalent;
- (b) Marketing and customer support strategies, financial information (including revenue, costs, profits and pricing methods), internal organization, employee information, and customer lists;
- (c) Technology, including inventions, development efforts, data, software, trade secrets, processes, methods, product and know-how and show-how;
- (d) Information of third parties as to which the non-disclosing Party has an obligation of confidentiality; and
- (e) All derivatives, improvements, additions, modifications, and enhancements to any of the above, including any such information or material created or developed under this Agreement.

The Confidential Information shall not include information that: (a) is or becomes a part of the public domain through no act or omission of the disclosing Party; (b) was in the disclosing Party's lawful possession prior to the disclosure and had not been obtained by the disclosing Party either directly or indirectly from the non-disclosing Party; (c) is lawfully disclosed to the disclosing Party by a third party without restriction on disclosure; or (d) is independently developed by the disclosing Party. Each Party agrees to hold the other Party's Confidential Information in confidence during the Term and for a period of two years after expiration or sooner termination of this Agreement. Each Party agrees, unless required by law, not to make the other Party's Confidential Information available in any form to any third party (except to the disclosing Party's agents or independent contractors) for any purpose other than the implementation of this Agreement. Each Party agrees to take all reasonable steps to ensure that its employees, agents or independent contractors do not disclose or distribute the other Party's Confidential Information in violation of the terms of this Agreement.

Article 6. WARRANTIES AND DISCLAIMER

Section 6.1. Due Authorization. Each Party represents and warrants that such Party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

Section 6.2. Binding Agreement. Each Party represents and warrants that this Agreement is a legal

and valid obligation binding upon it and enforceable with its terms.

Section 6.3. Other Representation, Warranties and Covenants. Provider covenants, represents and warrants that it will render the Software Service in compliance with all applicable laws and regulations and the Software Service and the provision thereof will not violate any rights of any third parties. Client covenants, represents and warrants that the rendition of the Software Service will not require Provider to violate the laws or rights of any third parties.

Section 6.4. Disclaimer. Except as specifically provided in this Agreement, neither Party makes, and each Party expressly disclaims, any representations or warranties in connection with this Agreement, whether express, implied, statutory or otherwise, including, without limitation, warranties of merchantability, fitness for a particular purpose, non-infringement of third party rights, title, any warranties arising out of a course of performance, dealing or trade usage, and their equivalents under the laws of any jurisdiction.

Article 7. INDEMNIFICATION

Section 7.1. Indemnification. Each Party (“Indemnifying Party”) agrees to indemnify and hold harmless the other Party (“Indemnified Party”) from and against any and all claims, damages, liabilities, losses, judgments, costs, and attorneys’ fees arising directly out of, or relating to:

- (a) the Indemnifying Party’s gross negligence or willful misconduct in engaging in the activities under this Agreement, or
- (b) any allegation that a material furnished by the Indemnifying Party and used by Indemnified Party under this Agreement infringes copyrights, trademarks or other legal rights.

Notwithstanding the foregoing, the Indemnified Party shall have the right, in its absolute discretion and at its sole cost, to employ attorneys of its own choice and to institute or defend any claim for which the Indemnified Party has a right to be indemnified.

Section 7.2. Exclusion. Except as expressly set forth in Section 7.1 of this Agreement, neither Party shall have any obligations to indemnify the other Party.

Article 8. LIMITATION OF LIABILITY

Section 8.1. Limitation of Liability. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL THE PARTIES BE LIABLE, WHETHER IN CONTRACT, IN TORT, OR UNDER ANY OTHER LEGAL THEORY (INCLUDING, BUT NOT LIMITED TO STRICT LIABILITY AND NEGLIGENCE) FOR LOST PROFITS OR REVENUES, LOSS OR INTERRUPTION OF USE, LOST OR DAMAGED DATA, REPORTS, DOCUMENTATION, OR SECURITY, OR SIMILAR ECONOMIC LOSS, LOSS OF PRIVACY, OR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR SIMILAR DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL PROVIDER BE LIABLE FOR ANY CLAIM MADE AGAINST CLIENT BY ANY OTHER PARTY, EVEN IF PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH CLAIM. IN NO EVENT SHALL PROVIDER’S LIABILITY UNDER ANY CLAIM MADE BY CLIENT EXCEED THE TOTAL AMOUNT OF FEES THERETOFORE PAID BY CLIENT IN THE CURRENT CONTRACT YEAR.

Article 9. DISPUTE RESOLUTION

Section 9.1. Dispute Resolution. Unless otherwise prescribed by law, the Parties agree to submit

any claim, dispute or disagreement of any type whatsoever that arises out of, or relates in any way to, this Agreement or the relationship between the Parties (“Dispute”) to mediation before a mediator that the Parties will have selected jointly prior to arbitration. If the Dispute cannot be resolved by mediation, the Dispute will be submitted to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators will not have authority to award exemplary or punitive damages. The arbitrators shall adhere to the terms of this Agreement and shall have no power to add to or modify said terms. All mediation, arbitration and litigation shall take place in the State of Arizona. If this Agreement must be enforced in a judicial or arbitration proceeding, the substantially prevailing Party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. Unless Prohibited by applicable law, any Dispute must be brought by filing a written demand for arbitration (or if permitted, litigation) within one (1) year following the conduct, act or other event or occurrence giving rise to the claim or the right to any remedy will be deemed forever waived and barred. The Parties irrevocably waive: (i) trial by jury; and (ii) the right to arbitrate or litigate on a class action or any other representative basis, in any action, proceeding or counterclaim, whether at law or in equity.

Article 10. GENERAL PROVISIONS

Section 10.1. Force Majeure. Neither Party shall be liable for damages for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control and without its fault or negligence, including, but not limited to, act of God or of the public enemy, acts of the government, fires, floods, epidemics, strikes, labor disturbances or freight embargoes (but not including delays caused by subcontractors or suppliers).

Section 10.2. Relationship of Parties. The relationship between the Parties will be that of independent contractors. Nothing herein contained shall be deemed or construed by the Parties as creating the relationship of principal and agent or of partnership, joint employers or joint venture by the Parties, and neither Party will have the right, power or authority to make any claims, representations or warranties, or create any obligation, express or implied, on behalf of the other Party, or otherwise bind the other Party.

Section 10.3. Assignment and Delegation. Client shall not voluntarily, by operation of law, or otherwise assign any of its rights or delegate any of its duties, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or part of its rights, duties, or other interests in this Agreement or the proceeds thereof without the written consent of Provider. Any attempt to make an assignment or delegation in violation of this provision shall be a material default under this Agreement and any assignment or delegation in violation of this provision shall be null and void.

Section 10.4. Parties Bound. This Agreement inures to the benefit of and is binding upon the Parties, their respective heirs, executors, administrators, legal representatives, successors and assigns. This Section 10.4 does not address, directly or indirectly, whether a Party may assign its rights or delegate its performance under this Agreement. Section 10.3 of this Agreement addresses these matters.

Section 10.5. Governing law. This Agreement shall be subject to and governed by the laws of the State of Arizona, without giving effect to its conflicts of law principles.

Section 10.6. Titles and Captions. All article, section, or paragraph titles or captions contained in this Agreement are for convenience only and are not deemed part of the context thereof.

Section 10.7. Entire Agreement; Amendments. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes and integrates all prior agreements, representations and understandings of the Parties, written or oral. This Agreement may not be changed, modified or discharged except by written instrument duly executed by the Parties. Nothing in this

Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

Section 10.8. Waiver. Unless otherwise specified herein, the failure by a Party to require performance of any provision shall not affect that Party's right to require performance at any time thereafter, nor shall a waiver of any breach or default of this Agreement constitute a waiver of any subsequent breach or default or a waiver of the provision itself.

Section 10.9. Notices. All notices under this Agreement shall be in writing.

Section 10.10. Severability. If any provision of this Agreement is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable. If a court of competent jurisdiction declines to amend this Agreement as provided herein, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

Section 10.11. Counterparts. This Agreement may be executed in one or more counterparts and such counterparts taken together shall constitute a single instrument. Delivery of an executed counterpart of this Agreement by electronic means, including, but not limited to, by facsimile transmission or by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing original initials or signatures.

Section 10.12. Survival of Termination. Termination or expiration of this Agreement for any reason shall not release either Party from any liability which at the time of such termination or expiration has already accrued to the other Party. Without limiting the foregoing, payments that became payable prior to termination or expiration of this Agreement shall remain payable after termination or expiration in accordance with the terms and conditions of this Agreement that were in effect immediately prior to the date of termination or expiration. In addition, Article 4 through Article 10 of this Agreement shall survive any termination or expiration of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

PROVIDER:

CLIENT:

Body & Brain Yoga and Health Centers, Inc., an
Arizona corporation

Address: _____

Address: _____

By: _____

Sign: _____

EXHIBIT "H"
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EXHIBIT "I"
TO DISCLOSURE DOCUMENT

STATE ADDENDUM

Maryland Addendum

A. Items 17(u), (v) and (w) of the Disclosure Document are amended to add the following sentence:

“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

B. Item 17(v) of the Disclosure Document is amended to add the following sentence:

“A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

C. Item 17(h) of the Disclosure Document is amended to add the following sentence:

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

D. Item 17(m) of the Disclosure Document is amended to add the following sentence:

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

EXHIBIT "J"
TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Body & Brain Home-Based Franchisees as of December 31, 2025)

State	City	Address	Phone	Owner Name(s)
California	Fremont	4876 Deep Creek Rd. Fremont, CA 94555	650-397-1210	Ohgeun Lee
Georgia*	Marietta	676 Highland Ct. Marietta, GA 30068	678-982-8002	Gina Rahman (Sasogi LLC)
Maryland	Silver Spring	15316 Pine Orchard Drive Apt. 2-G, Silver Spring, MD 20906	301-452-1756	Christine Tetrault
New Jersey	Secaucus	225 Moller St. Secaucus, NJ 07094	201-864-2095	Adele Harris (Meadowland's New Life Center, LLC)
New York	Valley Stream	1031 Willow Ln. Valley Stream, NY 11580	516-978-3235	Jean Santoro (In-Home Gentle Yoga, LLC)
Texas	Houston	3 Hermann Museum Circle Dr. #3401 Houston, TX 77004	928-301-9041	Kwang Hee Lee
Texas	Spring	427 Carson Ridge Dr. Spring, TX 77386	281-702-3389	Alan Brock (Ground Your Divinity, LLC)

* These franchisees ceased operations, but did not leave the system because they are continuing their franchise agreements with the possibility of re-opening their outlets. Since their franchise agreements remain in effect, they are franchisees on "inactive status." Their outlets have also been counted as "ceased operations" in Table 3 of Item 20.

** These franchisees have signed franchise agreements but were not yet opened as of December 31, 2025.

Part B (Former Body & Brain Home-Based Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
None			

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

EXHIBIT "K"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2025 and 2024

with

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2025 and 2024, and the related statement of income, changes in member's equity, and cash flows for the years then ended, as well as the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. 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 individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.



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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

A handwritten signature in black ink, appearing to read "ABC CPAs", written in a cursive, stylized font.

ABC CPAs
Los Angeles, CA

February 6, 2026

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2025 and 2024

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BODY AND BRAIN CENTER, LLC
Balance Sheet
As of December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 67,417	\$ 82,004
Accounts receivable, Net	36,154	24,495
Interest receivable	65	712
Note receivable	180,000	280,000
Prepaid expenses	7,033	6,372
Total Current Assets	290,669	393,583
Non Current Assets		
Goodwill	-	12,885
Website, net	21,675	36,125
Security deposits	-	3,325
Total Non Current Assets	21,675	52,335
Restricted cash	622,090	539,884
Operating lease right-of-use assets	4,800	17,970
Total Assets	\$ 939,234	\$ 1,003,773
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	\$ 15,383	\$ 27,232
Accrued liabilities	20,339	18,889
Deferred revenue	19,540	19,540
Other payable	36	168
Operating lease liabilities, current portion	4,800	18,233
Unearned revenue, current portion	10,783	17,168
Total Current Liabilities	70,881	101,231
Non Current Liabilities		
Unearned revenue	19,048	18,456
Total Non Current Liabilities	19,048	18,456
Total Liabilities	89,929	119,686
Member's Equity	849,305	884,086
Total Liabilities and Equity	\$ 939,234	\$ 1,003,773

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Statement of Income and Changes in Member's Equity
 Years Ended December 31, 2025 and 2024

	2025	2024
Revenue		
Royalties	\$ 202,567	\$ 206,645
Initial franchise fee	4,334	6,733
Franchise renewal fee	6,149	6,059
Owner Training fee	20,000	20,000
Advertising fund fee	73,363	72,455
Membership income	11,874	37,156
Private lesson	4,337	31,503
Registration fee	390	3,307
Retail	433	591
Commission Income	1,996	7,536
Total Revenue	325,443	391,985
Cost of Goods Sold		
Cost of Goods Sold	306	421
Total Cost of Goods Sold	306	421
Gross Profit	325,137	391,564
Operating Expenses	394,374	471,061
Operating Income	(69,237)	(79,497)
Other Income (Expense)		
Interest income	30,421	32,289
Employee leasing income	16,920	13,500
Other income	-	1,991
Impairment loss	(12,885)	-
Other Income	34,456	47,780
Net Income	(34,781)	(31,717)
Beginning Member's Equity	884,086	915,803
Ending Member's Equity	\$ 849,305	\$ 884,086

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Statement of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Net Income	\$ (34,781)	\$ (31,717)
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization	14,450	7,225
Goodwill impairment loss	12,885	-
Operating lease right-of-use assets	13,170	32,995
Operating lease liabilities	(13,433)	(33,794)
Changes in operating assets and liabilities :		
(Increase) decrease in		
Accounts receivable	(11,659)	(5,195)
Interest receivable	647	127
Note receivable	100,000	100,000
Prepaid expenses	(660)	6,748
Increase (decrease) in		
Accounts payable	(11,849)	(63,402)
Accrued liabilities	1,450	210
Other payable	(132)	130
Unearned revenue	(5,793)	(5,384)
Net cash provided by (used in) operating activities	64,294	7,942
Cash Flows from Investing Activities		
Security Deposits	3,325	-
Net cash provided by (used in) investing activities	3,325	-
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	67,620	7,942
Cash, Cash Equivalents and Restricted Cash - Beginning of year	621,887	613,945
Cash, Cash Equivalents and Restricted Cash - End of year	\$ 689,507	\$ 621,887

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Body and Brain Center, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. Effective January 1, 2022, the Company has elected the accounting alternative permitted for private companies to perform the goodwill impairment triggering event evaluation only as of the end of the reporting period. Accordingly, the Company evaluates facts and circumstances at the end of each reporting period to determine whether a triggering event exists.

The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free cash flow (including

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Goodwill (Continued)

significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Intangible Assets

Intangible assets consist of website development costs. The Company capitalizes certain internal and external costs incurred during the application development stage of internal-use software and website projects. These costs are amortized on a straight-line basis over the estimated useful life of the asset, which is three years. Post-implementation operation and maintenance costs are expensed as incurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2025, the Company has \$622,090 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2025, the allowance for doubtful accounts was \$5,808.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Accounts Receivable (Continued)

Accounts receivable is consisted of the following:

	<u>December 31, 2025</u>
Account Receivable	\$ 41,962
Less: allowance for doubtful accounts	<u>(5,808)</u>
	<u>\$ 36,154</u>

Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Lease (Continued)

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to \$19,540 and \$19,540 as of December 31, 2025 and 2024, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Revenue Recognition (Continued)

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to \$0 and \$3,317 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326)*, which replaced the incurred loss methodology with an expected credit loss model. The adoption of this standard did not have a material impact on the Company's financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Tax Disclosures (Topic 740)*, which requires enhanced transparency in income tax disclosures, specifically focusing on the rate reconciliation table and income taxes paid. This update is effective for annual periods beginning after December 15, 2024. As the Company is a disregarded entity for tax purposes, this update is not expected to have a material impact on the financial statements.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*. This update clarifies that Concepts Statements are non-authoritative by removing their references from the Codification. For the Company, these amendments are effective for fiscal years beginning after December 15, 2025.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Recent Accounting Pronouncements (Continued)

The Company is currently evaluating the impact of this update, which will be adopted in the 2026 fiscal year.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*. This update requires entities to provide more granular disclosures about expense types reported under captions such as cost of sales and general and administrative expenses. While these amendments are effective for public business entities for fiscal years beginning after December 15, 2026, the Company is not classified as a public business entity. However, the Company continues to monitor the development of this update for potential future implications on its financial statement disclosures.

The Company will continue to monitor developments related to this ASU and assess any potential implications for its financial statements and related disclosures.

NOTE B – NOTE RECEIVABLEPromissory Note Agreement

On November 9, 2025 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower") executed a consolidated promissory note promising to pay to the order of the Company (the "Lender"), the principal sum of \$280,000 with interest thereon at 4.51% per year. Beginning on December 9, 2025, and continuing on the 9th day of each month thereafter through and including November 9, 2026 ("Maturity Date"), the Borrower shall make a monthly interest payment in the amount of \$1,052.33.

On December 29, 2025, the Company received a principal payment of \$100,000 from the Borrower, reducing the outstanding principal balance to \$180,000. Notwithstanding this partial repayment, the original terms of the promissory note, including the interest rate, maturity date, and payment schedule, remain unchanged, and no modification or amendment to the original agreement was executed. As of December 31, 2025, the outstanding balance of the note receivable was \$180,000.

NOTE C - RELATED PARTY TRANSACTIONSBody & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE C - RELATED PARTY TRANSACTIONS (Continued)

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to \$60,575 and \$58,783, for the year ended December 31, 2025 and 2024, respectively.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider \$400 per month. Dues and subscription under the agreement amounted to \$4,800 and \$4,800 for the years ended December 31, 2025 and 2024, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC), the sole member of the Company. The original agreement was entered into on February 1, 2016. Effective December 1, 2025, the Company and BBYHC entered into a revised premises use agreement, which updated the lease terms and reduced the monthly rent from \$800 to \$400.

Under the terms of the revised agreement, the lease provides for an initial term of six months through May 31, 2026, and automatically renews for additional consecutive one-month periods thereafter, unless either party provides written notice of termination at least seven days prior to the expiration of the then-current term. The Company has the right to use the permitted portion of the premises subject to the terms and provisions of the agreement. Rent expense under these agreements amounted to \$9,200 and \$9,600 for the years ended December 31, 2025 and 2024, respectively.

Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to \$18,000 and \$18,000 for the years ended December 31, 2025 and 2024, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators,

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE C - RELATED PARTY TRANSACTIONS (Continued)Employee Lease Agreements (Continued)

Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC.

Employee leasing expense under the agreement amounted to \$49,800 and \$49,800 for the years ended December 31, 2025 and 2024, respectively.

NOTE D – COMMITMENTS AND CONTINGENCIESFranchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	<u>2025</u>	<u>2024</u>
Royalties	\$ 202,567	\$ 206,645
Initial franchise fees	4,334	6,733
Franchise renewal fees	6,149	6,059
Owner training fees	20,000	20,000
Advertising fund fees	<u>10,011</u>	<u>10,217</u>
Revenues from franchised centers	<u>\$ 243,061</u>	<u>\$ 249,654</u>

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE D – COMMITMENTS AND CONTINGENCIES (CONTINUED)Licensing Agreement (Continued)

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2025, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of \$486.

License expenses under this agreement totaled \$107,866 and \$111,939 for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025, the Company owed \$13,336 to BR Consulting Inc., which is included in accounts payable in the accompanying 2025 balance sheet.

Leased Facilities

The Company leased its operating facility under non-cancellable operating lease. In addition, the Company has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

During 2025, the lease for the Mesa Center was terminated due to the center's closure. The related Right-of-Use (ROU) assets and lease liabilities were derecognized accordingly.

Rent and lease expense totaled \$23,096 for the year ended December 31, 2025.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2025:

	<u>December 31, 2025</u>
Operating lease ROU assets	\$ 4,800
Operating lease liabilities:	
Current portion of lease liabilities	4,800
Non-current portion of lease liabilities	-

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2025:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2024	25	7
New franchised centers	1	-
Terminated franchised centers	(1)	-
Total centers as of December 31, 2025	25	7

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of \$15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

Net assets	March 1, 2022
Goodwill	\$ 12,885
Security Deposit	2,115
Total	\$ 15,000

In March 2025, the Company permanently ceased operations of the Mesa Center. In connection with the closure and in accordance with the Company's policy described in Note A, management performed an impairment test as of December 31, 2025. Management determined that the carrying amount of the goodwill associated with the Mesa Center was no longer recoverable. Accordingly, a full impairment charge of \$12,885 was recognized for the year ended December 31, 2025. As of December 31, 2025, the carrying amount of goodwill was \$0.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2025 and 2024

NOTE G – INTANGIBLE ASSETS

Intangible assets as of December 31, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Website development costs	\$ 43,350	\$ 43,350
Less: Accumulated amortization	<u>(21,675)</u>	<u>(7,225)</u>
Intangible assets, net	<u>\$ 21,675</u>	<u>\$ 36,125</u>

NOTE H – CONCENTRATION OF RISKCredit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of \$250,000 per financial institution.

NOTE I – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2025 and 2024, there was no cash payment for interest.

NOTE J – SUBSEQUENT EVENTSDate of Management Evaluation

Management has evaluated subsequent events through February 6, 2026, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

See accompanying accountants' audited report and notes to financial statements

Supplementary Information

BODY AND BRAIN CENTER, LLC

Schedule of Operating Expenses

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Expense		
Advertising and promotional expense	\$ -	\$ 3,317
Advertising service fee	-	3,000
Amortization expense	14,450	7,225
Automobile expense	-	201
Award expense	850	1,456
Bad debt expense	25	92
Bank service charges	5,762	8,199
Business promotion	475	500
Charitable Contributions	-	300
Dues and subscription	6,670	8,044
Employee benefit	572	525
Employee leasing fee	49,800	49,800
Event expense	-	136
Health insurance expense	16,721	14,410
Insurance expense	25,910	23,853
Management fee expense	18,000	18,000
Meals and entertainment	56	14
Miscellaneous	0	0
Office supplies	18	2,214
Payroll service fee	3,868	3,816
Payroll tax expense	7,211	10,259
Postage and delivery	89	85
Printing and reproduction	-	415
Professional fee	15,860	12,361
Rent	23,096	54,571
Royalty expense	107,866	111,939
Tax and licenses expense	3,162	3,498
Telephone expense	1,128	3,154
Travel expense	420	-
Utilities	237	1,258
Wages	92,128	128,420
Total Operating Expenses	\$ 394,374	\$ 471,061

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2024 and 2023

with

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2024 and 2023, and the related statement of income, changes in member's equity, and cash flows for the years then ended, as well as the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. 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 individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.



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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

A handwritten signature in black ink, appearing to read "ABC CPAs".

ABC CPAs
Los Angeles, CA

February 5, 2025

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2024 and 2023

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BODY AND BRAIN CENTER, LLC
Balance Sheet
As of December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 82,004	\$ 119,107
Accounts receivable, Net	24,495	19,300
Interest receivable	712	840
Note receivable	280,000	380,000
Prepaid expenses	6,372	13,120
Total Current Assets	393,583	532,367
Non Current Assets		
Goodwill	12,885	12,885
Website, net	36,125	43,350
Security deposits	3,325	3,325
Total Non Current Assets	52,335	59,560
Restricted cash	539,884	494,838
Operating lease right-of-use assets	17,970	50,965
Total Assets	\$ 1,003,773	\$ 1,137,730
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	\$ 27,232	\$ 90,634
Accrued liabilities	18,889	18,680
Deferred revenue	19,540	19,540
Other payable	168	38
Operating lease liabilities, current portion	18,233	43,394
Unearned revenue, current portion	17,168	26,628
Total Current Liabilities	101,231	198,914
Non Current Liabilities		
Operating lease liabilities, net of current portion	-	8,633
Unearned revenue	18,456	14,380
Total Non Current Liabilities	18,456	23,013
Total Liabilities	119,686	221,927
Member's Equity	884,086	915,803
Total Liabilities and Equity	\$ 1,003,773	\$ 1,137,730

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Statement of Income and Changes in Member's Equity
 Years Ended December 31, 2024 and 2023

	2024	2023
Revenue		
Royalties	\$ 206,645	\$ 200,578
Initial franchise fee	6,733	7,800
Transfer Fee	-	3,000
Franchise renewal fee	6,059	6,061
Owner Training fee	20,000	-
Advertising fund fee	72,455	70,651
Membership income	37,156	44,612
Private lesson	31,503	32,100
Registration fee	3,307	2,619
Retail	591	-
Commission Income	7,536	8,058
Total Revenue	391,985	375,479
Cost of Goods Sold		
Cost of Goods Sold	421	-
Total Cost of Goods Sold	421	-
Gross Profit	391,564	375,479
Operating Expenses	471,061	463,738
Operating Income	(79,497)	(88,259)
Other Income		
Interest income	32,289	24,309
Employee leasing income	13,500	13,180
Other income	1,991	57,666
Other Income	47,780	95,155
Net Income	(31,717)	6,896
Beginning Member's Equity	915,803	908,907
Ending Member's Equity	\$ 884,086	\$ 915,803

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Net Income	\$ (31,717)	\$ 6,896
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization	7,225	-
Operating lease right-of-use assets	32,995	32,250
Operating lease liabilities	(33,794)	(32,049)
Changes in operating assets and liabilities :		
(Increase) decrease in		
Accounts receivable	(5,195)	(51)
Interest receivable	127	(246)
Others receivable	-	200
Note receivable	100,000	-
Prepaid expenses	6,748	(8,089)
Increase (decrease) in		
Accounts payable	(63,402)	9,829
Accrued liabilities	210	(464)
Deferred revenue	-	(51,000)
Other payable	130	(2,382)
Unearned revenue	(5,384)	8,573
Net cash provided by (used in) operating activities	7,942	(36,531)
Cash Flows from Investing Activities		
Website	-	(43,350)
Net cash provided by (used in) investing activities	-	(43,350)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	7,942	(79,881)
Cash, Cash Equivalents and Restricted Cash - Beginning of year	613,945	693,826
Cash, Cash Equivalents and Restricted Cash - End of year	<u>\$ 621,887</u>	<u>\$ 613,945</u>

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Body and Brain Center, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2024, the Company has \$539,884 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2024, the allowance for doubtful accounts was \$5,783.

Accounts receivable is consisted of the following:

	<u>December 31, 2024</u>
Account Receivable	\$ 30,278
Less: allowance for doubtful accounts	<u>(5,783)</u>
	<u>\$ 24,495</u>

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Deferred Revenue (Continued)

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to \$19,540 and \$19,540 as of December 31, 2024 and 2023, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to \$3,371 and \$20,430 for the years ended December 31, 2024 and 2023, respectively.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company beginning January 1, 2023. The Company is currently evaluating the effect of this ASU on the Company's financial statements and related disclosures.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Company adopted this alternative to evaluating goodwill effective January 1, 2022.

In March 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-02, titled *Codification Improvements—Amendments to Remove References to the Concepts Statements*. This update removes references to the FASB's Conceptual Framework from the Accounting Standards Codification to clarify that Concepts Statements are non-authoritative. The amendments are effective for public business entities for fiscal years beginning after December 15, 2024, and for all other entities for fiscal years beginning after December 15, 2025.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This update enhances the transparency of income statement expenses by requiring entities to disaggregate certain expense categories to provide more detailed disclosures about expense types commonly reported under captions such as cost of sales, selling, general and administrative expenses, and research and development expenses. This change is intended to address investor requests for more granular expense information. The amendments are effective for public business entities for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. While the Company is not classified as a public business entity, this update is included for reference.

The Company will continue to monitor developments related to this ASU and assess any potential implications for its financial statements and related disclosures.

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2024 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower") promises to pay to the order of the Company (the "Lender"), the sum of \$230,000 with interest thereon at 5.47% per year. Borrower shall make a monthly payment in the amount of \$1,048.42 for interest. The unpaid principal shall be payable in full on or before June 9, 2025 (the "Due Date").

On September 21, 2024 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower") promises to pay to the order of the Company (the "Lender"), the sum of \$150,000 with interest thereon at 4.73% per year. Borrower shall make a monthly payment in the amount of \$591.25 for interest. The unpaid principal shall be payable in full on or before September 21, 2025 (the "Due Date").

On November 8, 2024, the Company received a payment of \$100,000 from the \$380,000 note receivable. Following this payment, the existing two notes were consolidated, and a new note agreement for the remaining \$280,000 was executed on November 9, 2024.

Under the terms of the new agreement, Body & Brain Yoga and Health Centers, Inc., an Arizona corporation (the "Borrower"), has agreed to repay the Company (the "Lender"), the principal amount of \$280,000, with interest accruing at 4.36% per annum. The Borrower is required to make monthly interest payments of \$1,017.33, with the unpaid principal balance due in full on or before November 9, 2025 (the "Due Date").

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to \$58,783, for the year ended December 31, 2024.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider \$400 per month. Dues and subscription under the agreement amounted to \$4,800 and \$4,800 for the years ended December 31, 2024 and 2023, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall be month-to-month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to \$9,600 and \$9,600 for the years ended December 31, 2024 and 2023, respectively.

Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to \$18,000 and \$18,000 for the years ended December 31, 2024 and 2023, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)Employee Lease Agreements (Continued)

Employee leasing expense under the agreement amounted to \$49,800 and \$51,600 for the years ended December 31, 2024 and 2023, respectively.

NOTE D – COMMITMENTS AND CONTINGENCIESFranchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	<u>2024</u>	<u>2023</u>
Royalties	\$ 206,645	\$ 200,578
Initial franchise fees	6,733	7,800
Transfer Fee	-	3,000
Franchise renewal fees	6,059	6,061
Owner training fees	20,000	-
Advertising fund fees	<u>10,217</u>	<u>9,909</u>
Revenues from franchised centers	<u>\$ 249,654</u>	<u>\$ 227,348</u>

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE D – COMMITMENTS AND CONTINGENCIES (CONTINUED)Licensing Agreement (Continued)

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2024, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of \$2,060.

License expenses under this agreement totaled \$111,939 and \$105,963 for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Company owed \$2,006 to BR Consulting Inc., which is included in accounts payable in the accompanying 2024 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2024:

Year ending December 31,	
2025	\$ 8,666
Total lease payments	8,666
Less: Effects of discounting	33
Present value of lease liabilities	\$ 8,633

Rent and lease expense totaled \$54,571 for the year ended December 31, 2024.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE D – COMMITMENTS AND CONTINGENCIES (CONTINUED)Leased Facilities (Continued)

Amounts recognized as right-of-use assets and operating lease liabilities related to leases for operating facility and the premises of BBYHC are included in the accompanying balance sheet. As of December 31, 2024 right-of-use assets and operating lease liabilities related to leases were as follows:

	<u>December 31, 2024</u>
Operating lease ROU assets	\$ 17,970
Operating lease liabilities:	
Current portion of lease liabilities	18,233
Non-current portion of lease liabilities	-

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

<u>Lease Term, Discount Rate and Other Information</u>	<u>December 31, 2024</u>
Remaining lease term (years)	0.25
Weighted average discount rate	2.30%

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2024:

	<u>Number of Centers (Retail Center)</u>	<u>Number of Centers (Home Based Center)</u>
Franchised centers as of December 31, 2023	27	7
New franchised centers	1	-
Terminated franchised centers	(3)	-
Total centers as of December 31, 2024	25	7

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2024 and 2023

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of \$15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

<u>Net assets</u>	<u>March 1, 2022</u>
Goodwill	\$ 12,885
Security Deposit	2,115
Total	<u>\$ 15,000</u>

With its annual impairment testing as of December 31, 2024, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2024, the carrying amount of goodwill was \$12,885.

NOTE G – CONCENTRATION OF RISKCredit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of \$250,000 per financial institution.

NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2024 and 2023, there was no cash payment for interest.

NOTE I – SUBSEQUENT EVENTSDate of Management Evaluation

Management has evaluated subsequent events through February 5, 2025, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

See accompanying accountants' audited report and notes to financial statements

Supplementary Information

BODY AND BRAIN CENTER, LLC

Schedule of Operating Expenses

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Expense		
Advertising and promotional expense	\$ 3,317	\$ 20,430
Advertising service fee	3,000	-
Amortization expense	7,225	-
Automobile expense	201	361
Award expense	1,456	1,950
Bad debt expense	92	-
Bank service charges	8,199	7,429
Business promotion	500	475
Charitable Contributions	300	-
Dues and subscription	8,044	7,847
Employee benefit	525	413
Employee leasing fee	49,800	51,600
Event expense	136	910
Health insurance expense	14,410	14,006
Insurance expense	23,853	21,030
Management fee expense	18,000	18,000
Meals and entertainment	14	63
Miscellaneous	0	-
Office supplies	2,214	1,457
Payroll service fee	3,816	3,709
Payroll tax expense	10,259	9,493
Postage and delivery	85	46
Printing and reproduction	415	155
Professional fee	12,361	12,255
Rent	54,571	53,017
Repair and maintenance	-	9
Royalty expense	111,939	105,963
Tax and licenses expense	3,498	2,930
Telephone expense	3,154	2,584
Utilities	1,258	1,110
Wages	128,420	125,792
Workshop expense	-	704
Total Operating Expenses	\$ 471,061	\$ 463,738

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2023 and 2022

with

Independent Auditors' Report



3435 WILSHIRE BLVD. SUITE 600
LOS ANGELES, CA 90010

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2023 and 2022, and the related statement of income and changes in member's equity, and cash flows for the year then ended, 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 Body and Brain Center, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. 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 individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.



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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

A handwritten signature in black ink, appearing to read "ABC CPAs", written in a cursive, stylized script.

ABC CPAs
Los Angeles, CA

February 6, 2024

BODY AND BRAIN CENTER, LLC
Balance Sheet
As of December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 119,107	\$ 257,831
Accounts receivable, Net	19,300	19,249
Interest receivable	840	594
Other receivable	-	200
Note receivable	380,000	380,000
Prepaid expenses	13,120	5,031
Total Current Assets	532,367	662,906
Non Current Assets		
Goodwill	12,885	12,885
Website	43,350	-
Security deposits	3,325	3,325
Total Non Current Assets	59,560	16,210
Restricted cash	494,838	435,995
Operating lease right-of-use assets	50,965	83,216
Total Assets	\$ 1,137,730	\$ 1,198,327
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	\$ 90,634	\$ 80,806
Accrued liabilities	18,680	19,144
Deferred revenue	19,540	70,540
Other payable	38	2,420
Operating lease liabilities, current portion	43,394	41,649
Unearned revenue, current portion	26,628	17,978
Total Current Liabilities	198,914	232,536
Non Current Liabilities		
Operating lease liabilities, net of current portion	8,633	42,427
Unearned revenue	14,380	14,457
Total Non Current Liabilities	23,013	56,884
Total Liabilities	221,927	289,420
Member's Equity	915,803	908,907
Total Liabilities and Equity	\$ 1,137,730	\$ 1,198,327

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLCStatement of Income and Changes in Member's Equity
Years Ended December 31, 2023 and 2022

	2023	2022
Revenue		
Royalties	\$ 200,578	\$ 204,235
Initial franchise fee	7,800	7,800
Transfer Fee	3,000	-
Franchise renewal fee	6,061	6,201
Advertising fund fee	70,651	68,375
Membership income	44,612	20,264
Private lesson	32,100	168,075
Registration fee	2,619	1,779
Commission Income	8,058	19,297
Total Revenue	375,479	496,025
Operating Expenses	463,738	520,908
Operating Income	(88,259)	(24,882)
Other Income		
Interest income	24,309	8,526
Employee leasing income	13,180	19,928
Other income	57,666	3,542
Other Income	95,155	31,996
Net Income	6,896	7,114
Beginning Member's Equity	908,907	901,793
Ending Member's Equity	\$ 915,803	\$ 908,907

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net Income	\$ 6,896	\$ 7,114
Adjustments to reconcile net income to net cash provided by operating activities		
Operating lease right-of-use assets	32,250	(83,216)
Operating lease liabilities	(32,049)	84,076
Changes in operating assets and liabilities :		
(Increase) decrease in		
Accounts receivable	(51)	(2,676)
Interest receivable	(246)	(390)
Others receivable	200	28,503
Prepaid expenses	(8,089)	(604)
Increase (decrease) in		
Accounts payable	9,829	2,302
Accrued liabilities	(464)	(14)
Deferred revenue	(51,000)	-
Other payable	(2,382)	(3,525)
Unearned revenue	8,573	4,467
Net cash provided by (used in) operating activities	(36,531)	36,037
Cash Flows from Investing Activities		
Goodwill	-	(12,885)
Security Deposits	-	(3,326)
Website	(43,350)	-
Net cash provided by (used in) investing activities	(43,350)	(16,211)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(79,881)	19,826
Cash, Cash Equivalents and Restricted Cash - Beginning of year	693,826	674,000
Cash, Cash Equivalents and Restricted Cash - End of year	<u>\$ 613,945</u>	<u>\$ 693,826</u>

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Body and Brain Center, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2023, the Company has \$494,838 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2023, the allowance for doubtful accounts was \$5,691.

Accounts receivable is consisted of the following:

	<u>December 31, 2023</u>
Account Receivable	\$ 24,991
Less: allowance for doubtful accounts	<u>(5,691)</u>
	<u>\$ 19,300</u>

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Deferred Revenue (Continued)

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to \$19,540 and \$70,540 as of December 31, 2023 and 2022, respectively.

Recognition of Deferred Revenue for the Tax Year 2022

The Company recognized \$51,000 of deferred revenue from the tax year 2022 as other income, in compliance with the Company's police. In accordance with the contractual terms outlined by the Company, prepayments received subsequent to franchise agreements necessitate recognition as income if no operational activities commence within specified years thereafter.

Consequently, the recognition of \$51,000 was deferred and subsequently acknowledged as other income during the fiscal year 2023. This recognition is consistent with the accounting policies adopted by the Company and adheres to the contractual conditions as stipulated in the Company's agreements.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to \$20,430 and \$16,595 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company beginning January 1, 2023. The Company is currently evaluating the effect of this ASU on the Company's financial statements and related disclosures.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Company adopted this alternative to evaluating goodwill effective January 1, 2022.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of \$230,000 with interest thereon at 4.88% per year. Borrower shall make a monthly payment in the amount of \$935.33 for interest. The unpaid principal shall be payable in full on or before June 9, 2024 (the "Due Date").

On September 21, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of \$150,000 with interest thereon at 4.93% per year. Borrower shall make a monthly payment in the amount of \$616.25 for interest. The unpaid principal shall be payable in full on or before September 21, 2024 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to \$57,105, for the year ended December 31, 2023.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider \$400 per month. Dues and subscription under the agreement amounted to \$4,800 and \$4,800 for the years ended December 31, 2023 and 2022, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall be month-to-month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to \$9,600 and \$9,600 for the years ended December 31, 2023 and 2022, respectively.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to \$18,000 and \$22,000 for the years ended December 31, 2023 and 2022, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to \$51,600 and \$52,650 for the years ended December 31, 2023 and 2022, respectively.

NOTE D – COMMITMENTS AND CONTINGENCIESFranchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	<u>2023</u>	<u>2022</u>
Royalties	\$ 200,578	\$ 204,235
Initial franchise fees	7,800	7,800
Transfer Fee	3,000	-
Franchise renewal fees	6,061	6,201
Advertising fund fees	<u>9,909</u>	<u>10,072</u>
Revenues from franchised centers	<u>\$ 227,348</u>	<u>\$ 228,308</u>

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE D - COMMITMENTS AND CONTINGENCIES (CONTINUED)Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2023, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of \$2,301.

License expenses under this agreement totaled \$105,963 and \$142,586 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company overpaid \$7,487 to BR Consulting Inc., which is included in prepaid expense in the accompanying 2023 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2023:

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE D - COMMITMENTS (CONTINUED)Leased Facilities (Continued)

Year ending December 31,	
2024	\$ 34,412
2025	8,666
Total lease payments	43,078
Less: Effects of discounting	650
Present value of lease liabilities	\$ 42,428

Rent and lease expense totaled \$53,017 for the year ended December 31, 2023.

Amounts recognized as right-of-use assets and operating lease liabilities related to leases for operating facility and the premises of BBYHC are included in the accompanying balance sheet. As of December 31, 2022 right-of-use assets and operating lease liabilities related to leases were as follows:

	December 31, 2023
Operating lease ROU assets	\$ 50,965
Operating lease liabilities:	
Current portion of lease liabilities	43,394
Non-current portion of lease liabilities	8,633

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

Lease Term, Discount Rate and Other Information	
	December 31, 2023
Remaining lease term (years)	1.25
Weighted average discount rate	2.30%

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2023:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2022	29	7
New franchised centers	-	-
Terminated franchised centers	(2)	-
Total centers as of December 31, 2023	27	7

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of \$15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

Net assets	March 1, 2022
Goodwill	\$ 12,885
Security Deposit	2,115
Total	\$ 15,000

With its annual impairment testing as of December 31, 2023, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2023, the carrying amount of goodwill was \$12,885.

NOTE G – CONCENTRATION OF RISKCredit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of \$250,000 per financial institution.

See accompanying accountants' audited report and notes to financial statements

BODY AND BRAIN CENTER, LLC

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2023 and 2022, there was no cash payment for interest

NOTE I – SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 6, 2024, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

See accompanying accountants' audited report and notes to financial statements

Supplementary Information

BODY AND BRAIN CENTER, LLC

Schedule of Operating Expenses

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Expense		
Advertising and promotional expense	\$ 20,430	\$ 16,595
Automobile expense	361	500
Award expense	1,950	2,650
Bad debt expense	-	136
Bank service charges	7,429	9,176
Business promotion	475	575
Dues and subscription	7,847	7,207
Employee benefit	413	825
Employee leasing fee	51,600	52,650
Event expense	910	-
Health insurance expense	14,006	20,167
Insurance expense	21,030	18,644
Management fee expense	18,000	22,000
Meals and entertainment	63	453
Miscellaneous expense	-	3,567
Office supplies	1,457	1,086
Payroll service fee	3,709	3,848
Payroll tax expense	9,493	10,587
Postage and delivery	46	365
Printing and reproduction	155	-
Professional fee	12,255	12,350
Rent	53,017	45,369
Repair and maintenance	9	277
Royalty expense	105,963	142,586
Tax and licenses expense	2,930	3,113
Telephone expense	2,584	1,742
Travel expense	-	31
Utilities	1,110	1,057
Wages	125,792	143,171
Workshop expense	704	179
Total Operating Expenses	463,738	\$ 520,908

See accompanying accountants' audited report and notes to financial statements.

EXHIBIT "L"
TO DISCLOSURE DOCUMENT
STATE EFFECTIVE DATES AND RECEIPTS

[See Attached]

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*
Maryland	Pending
New York	Pending*

* This effective date pertains to a separate state-specific FDD for the registration of this Body & Brain home-based franchise.

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.

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 Body and Brain Center, 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 for the proposed franchise sale.

If Body and Brain Center, 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, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

Hyunsook Lee, 2812 N Norwalk, 14-128, Mesa, AZ 85215, (480) 310-5248

Eun Jeong Lee, 2812 N Norwalk, 14-128, Mesa, AZ 85215, (650) 339-5366

Joung Yoon, 2812 N Norwalk, 14-128, Mesa, AZ 85215, (480) 320-9701

Body and Brain Center, LLC's agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

Issuance date: February 12, 2026

I have received the Body & Brain Franchise Disclosure Document for the State of Maryland that included the following Exhibits:

EXHIBIT "A" State Agencies and Administrators
EXHIBIT "B" Agent for Service of Process
EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Training Agreement
EXHIBIT "E" General Release
EXHIBIT "F" Referral Agreement
EXHIBIT "G" Software Service Agreement
EXHIBIT "H" Table of Contents of the confidential Operating Manuals
EXHIBIT "I" State Addendum
EXHIBIT "J" List of Franchisees
EXHIBIT "K" Financial Statements of Body and Brain Center, LLC
EXHIBIT "L" State Effective Dates and Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This receipt should be signed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Body and Brain Center, LLC.)

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