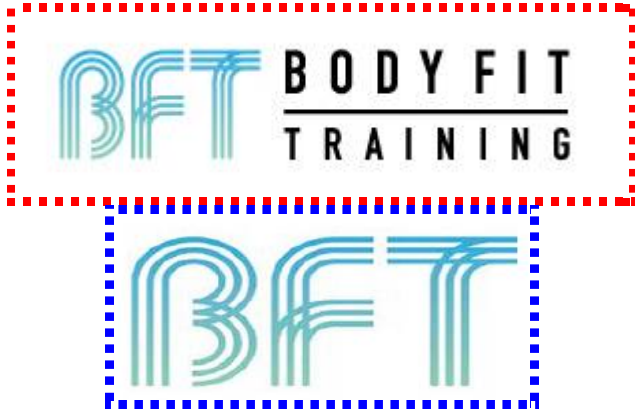


FRANCHISE DISCLOSURE DOCUMENT



Body Fit Training USA Incorporated
a Delaware corporation
5716 Corsa Avenue, Suite 100
Westlake Village, CA 91326
1.818.805.4139
sales@~~bodyfittraining~~bodyfittraining.com
<https://bodyfittraining.com/>

The franchise is for the establishment and operation of a Body Fit Training (“BFT”) gym (“~~Body Fit Training Gym~~[BFT](#)” or “Gym”). Franchisees are provided with systems for the operation of functional, group training studios. The total investment necessary to begin operation of a ~~Body Fit Training~~[BFT](#) Gym is between \$198,000 to ~~\$718,000~~[738,000](#). This includes ~~\$149,500~~[145,000](#) to ~~\$171,500~~[183,750](#) that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Body Fit Training USA Incorporated at 5216 Corsa Avenue, Suite 100, Westlake Village, CA 91326 or sales@~~bodyfittraining~~bodyfittraining.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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.

Date of Issuance: ~~July 7, 2020, as amended October 9, 2020~~[June 21, 2021](#)

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 Exhibits C and D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A 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-Fit-Training<u>BFT</u> 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-Fit-Training<u>BFT</u> franchisee?	Item 20 or Exhibits C and D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

2. **Mandatory Minimum Payment:** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment. There may be other risks concerning this franchise.

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

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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

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

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor, and any Parents, Predecessors, and Affiliates

The franchisor is Body Fit Training USA Incorporated, a company incorporated in Delaware on October 19th 2018.

To simplify the language in this Disclosure Document, Body Fit Training USA Incorporated will be referred to as “we,” “us,” “our” or “Franchisor.” The entity that is interested in buying the franchise, the prospective franchisee, will be referred to as “you” or “your.” In some instances “you” or “your” also refers to the prospective franchisee’s owners.

Our principal business address is 5716 Corsa Avenue, Suite 100, Westlake Village, CA 91326. We do business under our corporate name and under the name “~~Body Fit Training~~BFT.” The names and addresses of our agents for service of process are listed in Attachment A. Prior to April 2021, we sometimes did business under the name “Body Fit Training.”

We operate and offer franchises for the operation of functional, group training studios that do business under the mark “~~Body Fit Training~~” (“BFT” (“BFT Gyms” or “Gyms”). Outside of the United States, BFT Gyms operate under the trademark “Body Fit Training-Gym” or “Gyms”).”

We currently own and operate a ~~Body Fit Training~~BFT Gym in Santa Monica, California.

We began to offer franchises in the United States in 2020. We are not engaged in any businesses other than operating and offering franchises for ~~Body Fit Training~~BFT Gyms, and we have never offered franchises in any other lines of business.

Our affiliate Body Fit Training Company Pty Ltd as trustee for the Body Fit Training Unit Trust began offering franchises of the type offered by this disclosure document on October 24th 2017 in Australia and New Zealand. Body Fit Training Company Pty Ltd as trustee for the Body Fit Training Unit Trust also began offering franchises of the type offered by this disclosure document on April 1st 2019 in Singapore. Body Fit Training Company Pty Ltd provides a portion of the “Health and Fitness Equipment” and the ~~Body Fit Training~~BFT proprietary hardware you are required to use in the ~~Body Fit Training~~BFT Gym, as described in Item 8. ~~In addition, Body Fit Training Company Pty Ltd also owns the Marks and licenses them to us, as described in Item 13.~~ The principal place of business for Body Fit Training Company Pty Ltd as trustee for the Body Fit Training Unit Trust is 216A/208 Hall Street, Spotswood Victoria 3015, Australia. Body Fit Training Company Pty Ltd as trustee for the Body Fit Training Unit Trust does not offer franchises in any other line of business.

GRPX Live Unit Trust ABN 61 537 567 owns the Marks and licenses them to us, as described in Item 13.

We have no other parents, affiliates, or predecessors that are required to be disclosed in this Item 1.

The Franchise

We have developed business procedures and systems together with a distinctive name, image and reputation associated with the conduct of group training focused gyms under the name “~~Body Fit Training~~BFT.” We sell franchises granting the right to establish and operate ~~Body Fit Training~~BFT Gyms using the:

- (a) distinctive image, visual appearance, reputation and presentation of us and other ~~Body-Fit Training~~BFT franchisees in the market;
- (b) name, intellectual property, brand names, logos and slogans associated with us; and
- (c) business procedures and systems developed by us for the operation of the ~~Body-Fit Training~~BFT Gym including those concerning a consistent high quality approach to member service, group-orientated training using scientific methods, innovative programs and use of technology, cleanliness, uniform operating techniques and business management,

(“System”).

You must operate your ~~Body-Fit Training~~BFT Gym under the “~~Body-Fit Training~~BFT” mark or under such other trademarks as we may designate, and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System (collectively, **“Marks”**).

The Franchise Agreement (Exhibit B to this disclosure document) gives you the right to establish and operate a Gym at a specified location within a protected area (**“Exclusive Marketing Zone”**).

You must operate the franchise as a corporation, partnership, limited liability company, or other business entity, and therefore certain provisions of the Franchise Agreement will apply to your owners. Some of the disclosures in this disclosure document specifically address this.

The Franchise Agreement requires that your directors and shareholders must guarantee your performance and bind themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, privacy, post termination or expiration obligations and dispute resolution procedures.

The Franchise Agreement requires you to designate a **“Designated Owner”** and a **“Manager.”** These are the main individuals who are responsible for supervising the ~~Body-Fit Training~~BFT Gym. These roles may be filled by the same person. Additional information regarding these positions is disclosed in Item 15.

Competition

The market for fitness, exercise, and physical training services is highly competitive. You must expect to compete with fitness training businesses that are similar to ~~Body-Fit Training~~BFT and other competing concepts. You will compete with national, large regional and local fitness orientated businesses offering similar services and products. Many national competitors are more well-known than we are.

The fitness and exercise businesses are also affected by economic market conditions, costs of supplies and equipment, capital and financial resources, consumer trends and demographics.

There is also competition for qualified management and other skilled labour and for commercial real estate sites suitable for ~~Body-Fit Training~~BFT Gyms.

Industry-Specific Regulations

You must comply with all federal, state, and local laws, rules, and regulations that apply to all businesses. You must also comply with all state and local laws, rules, and regulations that apply to exercise and fitness businesses. Specifically, many states and local municipalities have laws and regulations that apply

specifically to membership contracts, operations, and licenses. Many states limit the maximum duration of your Member contracts, require specific provisions be included in Member contracts, require Member contracts to look a certain way (such as format and font size), and require Members be granted certain termination rights. Some state regulations may also require you to: (1) obtain a bond to protect pre-paid membership fees you collect; (2) staff the Gym during all hours of operation; (3) staff the Gym with one or more persons who are CPR-certified or who have other specialized training; (4) maintain an automated external defibrillator (AED) and other first aid items and equipment at the Gym; and/or (5) charge sales tax on Gym memberships. You should consider these laws and regulations when evaluating your purchase of the franchise.

ITEM 2 BUSINESS EXPERIENCE

Cameron John Falloon: Director and Joint CEO

Cameron John Falloon has been our Director and Joint CEO since our inception in October 2018, and the Director and Joint CEO of Body Fit Training Company Pty since its inception in October 2017. Cameron is currently based in Melbourne, Australia. Previously, from September 2015 until September 2017, Cameron was the Founder and CEO for Gymmy Squatz Pty Ltd in Victoria, Australia. Prior to that, from March 2013 until June 2017, Cameron was the Owner/Manager of The Exercise Room Pty Ltd in Melbourne, Australia.

Richard Langham Burnet: Director and Joint CEO

Richard Langham Burnet has been our Director and Joint CEO since our inception, and the Director and Joint CEO of Body Fit Training Company Pty Ltd since its inception. Richard is currently based in Melbourne, Australia. Previously, from November 2014 to December 2016, Richard was the Chief Commercial Officer for Greater Western Sydney Giants in Sydney, Australia. In addition, from May 2014 to November 2014, he was a Strategy and Commercial Consultant for the Australian Football League in Melbourne, Australia.

Jason Clark: ~~National Sales Manager~~Director

Jason Clark has been our ~~National Sales Manager~~Director since April 2019. Jason is currently based in Melbourne, Australia. Previously, from May 2017 to June 2019, he was Senior Account Manager for APN Outdoor/JC Decaux in Melbourne, Australia. Prior to that, from October 2015 to May 2017, he was National Account Manager for News Corp Australia in Melbourne, Australia.

Hamish Angus McLachlan: Director

Hamish Angus McLachlan has been a Director since we were founded. He has also been on-air talent at Seven West Media in Melbourne, Australia since March 2008.

ITEM 3 LITIGATION

F45 Training Pty Ltd v Body Fit Training Company Pty Ltd & Ors; Federal Court of Australia, File Number NSD1795/2019

On November 1, 2019, F45 Training Pty Ltd commenced proceedings in the Federal Court of Australia in Sydney against Body Fit Training Company Pty Ltd, Body Fit Training South Yarra Pty Ltd, Body Fit

Training Prahara Pty Ltd, Body Fit Training St Kilda Pty Ltd, Body Fit Training Richmond Pty Ltd and Cameron John Falloon (collectively, the Respondents). F45 Training Pty Ltd alleges that the Respondents are infringing its Australian Innovation Patent (the Patents) and that 45 Training Pty Ltd has suffered, and is likely to continue to suffer, loss and damage by reason of the alleged infringement of the Patents. F45 Training Pty Ltd has sought a declaration from the Court that the Respondents have breached the Patents, an order that the Respondents be restrained from conduct which it says infringes the Patents, and damages or in the alternative an account of profits. The Respondents deny the allegations and are vigorously defending the proceeding. On ~~17~~ June 17, 2020, Body Fit Training Company Pty Ltd filed an interlocutory application seeking leave of the Court to file a cross-claim in the proceeding against F45 Training Pty Ltd. The cross-claim alleges that F45 Training Pty Ltd's two Australian patents are, and always have been, invalid and that they should be revoked on the ground that the alleged invention is not a patentable invention as it is not a manner of manufacture. The ~~application is~~ Court held a trial in December 2020, and we are currently ~~being determined by~~ awaiting the ~~Court~~ judgment.

BODY FIT TRAINING USA INC. and WORLD CLASS FUNCTIONAL TRAINING LLC, vs. F45 TRAINING HOLDINGS INC. and F45 TRAINING PTY LTD. (Case No. 2:20-cv-7081, United States District Court for the Central District of California)

On August 6, 2020, Body Fit Training USA, Inc. and World Class Functional Training LLC (collectively, "we") filed a complaint against our competitors F45 Training Holdings Inc. and F45 Training Pty Ltd (collectively, "Defendants"). This action arises from the Australian action described above. In the complaint, we allege that a number of patents held by the Defendants regarding the configuration and operation of a physical fitness gym are invalid and unenforceable. We seek declaratory judgment from the court to hold the patents invalid and unenforceable, and declaratory judgment that our actions in operating, and licensing others to operate, ~~Body Fit Training~~ BFT Gyms does not infringe those patents in the United States. On September 18, 2020, Defendants filed a Motion to Dismiss on the argument that the court lacks both subject matter jurisdiction and personal jurisdiction. We intended to respond to the motion. On December 3, 2020, the Court issued an order granting Defendants' Motion to Dismiss based upon a lack of Personal Jurisdiction and denying Body Fit Training's request for additional discovery on the issue of personal jurisdiction.

F45 Training Pty Ltd v Body Fit Training Company Pty Ltd & Ors – New South Wales Supreme Court Proceeding No. 2020/00260250

On September 7, 2020, F45 Training commenced proceedings in the New South Wales Supreme Court against Body Fit Training Company Pty Ltd, Cameron Falloon and Richard Burnett (the Respondents). The claim alleges misleading and deceptive conduct, passing off and registered trade mark infringement by the Respondents. The claim for misleading and deceptive conduct and passing off alleges that the Respondents' have represented to consumers that their fitness related services are in some way associated with, or endorsed or approved by, F45 Training Pty Ltd. The trade mark infringement claim alleges that the Respondent's use of the phrase "BFT CHALLENGE" to market its services is deceptively similar to the registered trade mark held by F45 Training, "F45 CHALLENGE". The Respondents deny the claims in their entirety and are defending the proceeding.

Not only are the Respondents defending the claims, on October 13, 2020 the Respondents filed a cross-claim against F45 Training for an order that the F45 CHALLENGE trade mark be cancelled, on the basis that it *if* it is deceptively similar to BFT CHALLENGE (which is denied), then it is also deceptively similar to a number of other trade marks containing the word CHALLENGE in relation to fitness services, and which were all registered prior to the F45 CHALLENGE trade mark, with the result that it ought never have been approved by the trade marks office.

[Directions have been made by the Court for the service of evidence by both parties in support of their claims by June 8, 2021, evidence in response by 20 July 2021 and a further directions hearing on August 3, 2021.](#)

F45 Training Pty Ltd vs. Body Fit Training USA Inc. (Case No. 1:20-cv-01194, United States District Court for the District of Delaware)

On September 4, 2020, F45 Training Party Limited (“F45”) filed a complaint alleging that we have infringed on a patent owned by F45, U.S. Patent No. 10,143,890 (the “890 Patent”). F45 is asking the court for compensatory relief, as well a pre- and post-judgment interest, a declaration that this case is exceptional within the meaning of 35 U.S.C. § 285 in order to seek attorneys’ fees, declaratory judgment that we have violated the 890 Patent, as well as a preliminary and permanent injunction to stop us and related parties from making, using, offering to sell, or importing into the United States any system, and/or using, offering to sell, or selling any service or method, that falls within the scope of any claim of the ’890 Patent. We intend to vigorously defend against this suit. [On January 22, 2021, Body Fit Training filed a Motion to Dismiss the lawsuit based upon the ’890 Patent being patent ineligible under 35 U.S.C. § 101. On February 12, 2021 F45 filed its Brief in Opposition to Both Fit Training’s Motion to Dismiss. Body Fit Training filed its Reply Brief on February 26, 2021. The parties have subsequently filed a request for a hearing with the Court on Body Fit Training’s Motion to Dismiss. We are currently awaiting the scheduling of the requested hearing. The Court has issued a Scheduling Order, a Protective Order, and an ESI Order directed to electronic discovery. The parties have each filed their Initial Disclosures and have served their initial discovery responses as set forth in the Scheduling Order. F45 has also served its initial set of discovery requests that Body Fit Training is in the process of addressing. We remain optimistic that the Court will ultimately grant Body Fit Training’s Motion to Dismiss.](#)

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee and Document Preparation Fee

You must pay us an initial Franchise Fee of \$50,000 (“**Initial Franchise Fee**”) when you sign the Franchise Agreement. If you are signing a Franchise Agreement for the renewal of an existing ~~Body Fit Training~~[BFT](#) Gym, you must pay us a renewal fee of \$25,000 instead of the Franchise Fee when you sign a renewal Franchise Agreement, as provided for in your existing Franchise Agreement.

You are also responsible for our costs associated with the preparation, negotiation and execution of the Franchise Agreement and any ancillary documents. Those costs are currently \$2,000.

If you fail to locate a suitable Gym, without fault, neglect or failure to use reasonable endeavours to locate a suitable Gym in accordance with clause 11.1 of the Franchise Agreement (including, without limitation, utilizing all resources available at your disposal), then the Franchisor must refund any amount of the Franchise Fee paid by the Franchisee to the Franchisor less \$10,000 (“**Retention Amount**”). At its sole

discretion, the Franchisor may extend the time allocated for you to comply with clause 11.1 of the Franchise Agreement or offer you an alternative Exclusive Marketing Zone to establish a Gym. Subject to:

- (a) any extension period provided by the Franchisor to you having been utilized; and
- (b) the Franchisor deeming (acting reasonably) that it is not reasonably practicable for you to accept an alternative Exclusive Marketing Zone (if offered by the Franchisor),

the Franchisor will refund to you any amount of the Franchisee Fee paid less any Retention Amount.

If you fail to locate a suitable Gym, though your own fault, neglect or failure to use reasonable efforts to locate a suitable Gym in accordance with the Franchise Agreement, then we must refund to you any amount of the Franchise Fee paid by you to us less the Retention Amount and less the Gym Selection Retention Amount. The “**Gym Selection Retention Amount**” is \$25,000 (50% of the Franchise Fee).

The Initial Franchise Fee or Renewal Fee are not otherwise refundable.

Our costs associated with the preparation, negotiation and execution of the Franchise Agreement and any ancillary documents are not refundable under any circumstances.

Site Start Up and Support Fee

If we determine that you would benefit from it, or if you request it, we will provide you with Site Start Up and Support Services, which are services beyond those which we provide to new franchisees as a part of the Initial Franchise Fee. If we agree to provide these services, we will notify you of the Site Start Up and Support Fee that we will charge you for the services. We offer these services for \$150 per hour, and estimate that the fees would range between \$150-\$750 for 1-5 hours of service. We will only provide the services if you agree to pay the fee.

Initial Training Fee

You must also pay us \$1,500 for one attendee plus \$500 for each additional attendee to attend the initial training to be provided by us to you to enable you to operate your ~~Body Fit Training~~[BFT](#) Gym. Please note, you will be responsible for all travel and accommodation expenses you incur in attending the initial training. The initial training will be held in the USA. The initial training fee is not refundable.

Marketing Launch Fee

For the time, costs and expenses to be incurred by us or a third party marketing agency in marketing the launch of your ~~Body Fit Training~~[BFT](#) Gym, you must spend \$15,000 prior to the opening of the ~~Body Fit Training~~[BFT](#) Gym. If you choose to use our preferred marketing agency, we will contribute \$3,500 towards the total \$15,000 spend. The marketing launch fee is not refundable.

Health and Fitness Equipment

For the cost of the supply of the Health and Fitness Equipment, you must pay us [or our affiliates](#) between \$85,000 to \$120,000 (exclusive of shipping, other delivery costs, taxes or other duties you may be required to pay). A 10% non-refundable deposit is required to guarantee the order. The balance is payable to us prior to delivery of equipment. Payments related to health and fitness equipment are not refundable. [Occasionally we may request that you pay a vendor directly for the Health and Fitness Equipment.](#)

Computer ~~hardware~~Hardware and ~~software~~Software

For the cost of the supplying a portion of the necessary computer systems and software, you must pay us \$3,500 - \$4,000 (exclusive of shipping, other delivery costs, taxes or other duties you may be required to pay). This payment is not refundable.

Merchandise ~~start-up package~~Start-Up Package

For the cost of supplying the initial supply of merchandise to be sold in the Gym, you must pay us \$3,000 to \$5,000 (exclusive of shipping, other delivery costs, taxes or other duties you may be required to pay). This payment is not refundable.

Deposit Agreement

As an initial step prior to entering into a Franchise Agreement, we also offer prospective franchisees the opportunity to enter into a deposit agreement with us, which provides that we will not establish a BFT Gym within a territory that you and we designate until the termination of the deposit agreement. The deposit agreement terminates at the earlier of the following: (a) 30 days after the effective date of the deposit agreement, (b) the date on which you notify us that you have elected not to enter into a Franchise Agreement with us, or (c) the date we enter into a Franchise Agreement. In exchange for these limited territorial rights, you will pay to us a deposit, which is typically \$5,000. The deposit will be credited toward the Initial Franchise Fee if you enter into a Franchise Agreement with us. If you do not enter into a Franchise Agreement with us before the deposit agreement expires, we retain the deposit that you paid.

The amounts disclosed in this Item 5 are generally uniform, though we do negotiate ad hoc arrangements from time to time.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Service Fee	\$1,500 per month (where member number is less than 140) or six percent (6%) of Gross Revenue (when member number is equal to or exceeds 140) capped at \$3,500 per month	By the 10 th day of each calendar month of the term.	You must pay us the Service Fee. The first Service Fee payment is due each calendar month after the earlier of: (a) the Opening Date; (b) six months after you sign the Franchise Agreement whether or not your Gym is open.
Minimum Local Area Marketing Spend	A minimum of \$1,500 per month	Local advertising must be spent throughout the year with Franchisor approval.	You must spend at least \$1,500 per month on local advertising for your Gym. You may spend more at your discretion. If you do not spend the required amount on local advertising, then we reserve the right to require that you pay a third-party \$1,500 per

Type of Fee	Amount	Due Date	Remarks
			month, and the designated third-party will use such monies to pay for local advertising for your Gym.
Transfer Fee	\$5,000	Upon the closing of the sale between you and the third-party.	If you transfer the Body-Fit Training BFT Gym, you must pay us the Transfer Fee upon the closing of the sale between you and the third-party.
Renewal Fee	\$25,000	Prior to the commencement of the Renewal Term	You must pay us the Renewal Fee prior to the commencement of the Renewal Term. Granting the Renewal Term is conditional (subject to other conditions) upon payment of the Renewal Fee.
Franchisor Administration Fee	\$150 per hour	As invoiced.	Where we have expended time, cost and expense on any complaint, issue or other matter relating to your compliance with any applicable laws, the Manual or the Franchise Agreement, you must pay us the Franchisor Administration Fee.
Additional Training Fee	\$150 per hour plus our or our representative/s reasonable travel, accommodation and food costs	As invoiced.	In consideration for our time, cost and expenses incurred in providing any Additional Training, you must pay us the Additional Training Fee. The Additional Training Fee will only be charged in limited circumstances where the franchisee needs more support and help than would otherwise be afforded to other franchisees generally.
Default Interest Rate	10% or the maximum lawful rate	As invoiced.	We may apply interest on all overdue amounts.
Email administration cost	\$10 per month per email address with the domain name “@bodyfittraining.com” Each studio must have at least two email addresses.	As invoiced.	We reserve the right to increase the email administration fee in the same amount as the increase in our costs. Email administration cost is

Type of Fee	Amount	Due Date	Remarks
			payable to us.
Body Fit Training BFT system proprietary hardware	\$1,500 - \$3,000 annually ongoing	As invoiced.	Payments are for ongoing upgrades and maintenance.
Computer hardware and software	\$5,000 - \$10,000 per year	As invoiced.	This amount does not include payment related to computer hardware and software to be made to Franchisor or an affiliate of Franchisor set out under Item 5.
MyZone or similar heart rate monitoring application	Initial payment of \$2000. Ongoing fee of \$150 - \$200 250 monthly	As invoiced.	MyZone provide the heartrate monitoring application.
Heart rate monitors	\$50 - \$150 per member	As invoiced.	Each member is required to be provided with a heart rate monitor. You can require a member to purchase a heartrate monitor as part of their membership.
OneFitStop or similar CRM system	\$250 - \$500 monthly	As invoiced.	Payments are to be made on the terms of the third-party provider.
License costs for using background music in business to be paid to ASCAP, BMI, SESAC and GMR	Initial fee of \$2,500 - \$3,000 plus an ongoing monthly fee of \$50 - \$75 per month	As invoiced.	Initial fee of estimated \$2,700 is for the license and estimated \$50/mth is for accessing the music, depending on specific music governing bodies requirements from time to time.
Merchandise	\$2,500 - \$15,000 annually depending on product uptake rates	As invoiced.	We may provide certain merchandise for resale that contain the Marks.
Stationery	\$250 annually depending on level on usage	As invoiced	We require you to hold necessary stationery to operate the Gym.
Audit Fee	Cost of audit	As invoiced.	Payable if an audit discloses any non-compliance with any term of the Franchise Agreement.
Insurance	A reasonable amount based on our requirements.	As incurred.	If you fail to maintain the required insurance, we may procure such insurance on your behalf at your cost plus a reasonable fee for the

Type of Fee	Amount	Due Date	Remarks
			Franchisor's expenses in doing so.
Conference	\$1000 - \$2,000 annually for two attendees	As invoiced.	Attendance to the conference is compulsory.
Enforcement costs	Will vary.	As incurred.	You must pay our costs of enforcement if you do not comply with the Franchise Agreement.

Notes

- (1) Unless otherwise provided for in the Franchise Agreement, all fees and expenses described above are non-refundable and are uniformly imposed.
- (2) Unless otherwise provided for in the table above, we may increase the fees listed based on changes in market conditions, our cost of providing goods and services, and future policy.
- (3) Unless otherwise provided for in the table above, all fees are payable to us either for us or on behalf of a third-party.
- (4) Gross revenue means all payments and other revenue (excluding payments attributable to sales taxes, tips or gratuities paid directly by your customers to your employees) received by you from all sources related to ownership and operation of the Gym for a relevant period. Gross revenue includes the full value of Gym products and services furnished to your employees as an incident to their employment.
- (5) We may require you to also purchase prepared meals from us or a third-party supplier. The amount of these purchases will vary depending on the cost of the prepared meals.
- (6) We have the right to make available to you for resale in the Gym merchandise, goods and apparel that contain the Marks. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate, which may be us.
- (7) We may also send you a limited number of new range products for visual merchandising purposes up to three times per year. You will be responsible for the costs associated with this estimated between \$250 - \$1,000.
- (8) Your Designated Owner and Manager must attend all annual conferences. You must pay all travelling, living and other expenses and costs your attendees may incur in attending the annual conference. The Annual Conferences will be held in the USA.
- (9) Under the terms of the Franchise Agreement, you authorize us to deduct the Service Fee from your designated bank account. All payments made by you to us will either be by direct debit or direct electronic bank transfer.

- ~~(10) The landlord or owner of the premises may require you to incur significant capital expenditure in relation to the fit out, refurbishment and make good of the premises. The extent of that requirement may be beyond our control and may depend on many things which we are unable to disclose.~~
- ~~(11) The terms of the Franchise Agreement, manual and the lease of the premises contain obligations which will require you to undertake unforeseen significant capital expenditure. For example: in relation to premises, you may be required to pay for town planning or governmental approval to use the site for the franchised business. You may also be required to relocate by the landlord. During the term of the Franchise Agreement and/or lease the franchisor and/or the landlord may require that you refurbish or refit the premises. At the end of the lease you may be required to refurbish, refit or make good the premises to the state the premises were in at the start of the lease.~~
- (10) ~~(12)~~ During the term you may be required, for ongoing innovation of the brand, to implement or incur expenditure on updating or replacing existing equipment, shop displays or signage, or purchasing new equipment.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom payment is to be made
Initial Franchise Fee (1)	\$50,000	Lump Sum	Upon signing the Franchise Agreement	Us
Costs associated with the preparation, negotiation and execution of the Franchise Agreement and any ancillary documents	\$2,000	Lump Sum	Upon signing the Franchise Agreement	Us
Initial Training Fee (2)	\$1,500 for one attendee plus \$500 for each additional attendee	Lump Sum	Prior to the commencement of the Initial Training	Us
Marketing Launch Fee	\$11,500 but if franchisee does not use our preferred marketing agency you will pay \$15,000 and we will not contribute \$3,500 towards the campaign	Lump Sum	At least one month prior to the Commencement Date	Us or a third-party marketing agency designated by the Franchisor.
Site Start Up and Support Fee	<u>0 to</u> \$150 - \$750 for 1-5 hours of service	As Arranged	As Invoiced	Us
Build-out Costs				
Pre-construction cost (Architect, Plans, and Permits) (3)	\$5,000 to \$50,000	As Arranged	As Invoiced	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom payment is to be made
Leasehold Improvements (4) (5) (6)	\$0 to \$200,000	As Arranged	As Invoiced	Suppliers
Exterior and Interior Signage	\$5,000 to \$15,000	As Arranged	As Invoiced	Suppliers
Utility Deposits (7)	\$1,000 to \$2,000	As Arranged	As Invoiced	Suppliers
Body Fit Training BFT Gym (Security Deposit and pre-paid rent) (6) (8)	\$15,000 to \$200,000	Pursuant to the terms of lease	Pursuant to the terms of lease	Landlord
Furniture, Fixtures and Equipment				
Health and Fitness Equipment	\$85,000 to \$100,000 <u>120,000</u>	As Arranged	As Arranged	Suppliers <u>Us or our Affiliates</u>
Furniture, Fixtures and other Equipment (9) (5)	\$4,000 to \$10,000	As Arranged	As Arranged	Suppliers
Office Equipment and Supplies (9)	\$1,000 to \$3,000	As Arranged	As Arranged	Suppliers
Taxes and Duties	\$2,000 to \$12,000	As Arranged	Upon taxable sale or as required by relevant taxing or other authority	Supplier or relevant taxing or other authority
Computer Systems and Software (10)	\$10,000 to \$15,000	As Arranged	As Arranged	Us, our Affiliates, and/or Suppliers
Other Expenses				

Type of Expenditure	Amount	Method of Payment	When Due	To Whom payment is to be made
Business Licenses and Permits and Company Registration (Including the Cost to Form a Business Entity)	\$500 to \$2,000	As Arranged	As Invoiced	Government Agencies
Professional Services (11)	\$1,000 to \$5,000	As Arranged	As Arranged	Accountants and Lawyers, etc.
Insurance (12)	\$500 to \$1,000	As Arranged	As Arranged	Insurance Broker
Merchandise	\$3,000 to \$5,000	As <u>Arranged</u>	As Arranged	Suppliers <u>Us or our Affiliates</u>
Additional Funds (initial 3-month period) (12 <u>13</u>)	\$0 to \$30,000	As Arranged	As Arranged	Employees and various suppliers
TOTAL (13 <u>14</u>)	\$198,000 to \$718,000 <u>738,000</u>			

Notes

- (1) The Initial Franchise Fee is \$50,000 for one ~~Body-Fit-Training-Territory~~BFT Exclusive Marketing Zone. The Initial Franchise Fee and conditions around refunding the Initial Franchise Fee are described in Item 5 of this Disclosure Document. We do not provide financing for the Initial Franchise Fee.
- (2) You are responsible for your travel, meals, and lodging expenses when you, your employees and/or Manager attend the Initial Training. The initial training will typically be held in the ~~USA~~State of California, USA, but it also may be held at ~~another~~ location we designate (which may be in Australia).
- (3) Pre-construction costs include architect drawings, council applications, consultants and surveyors, engineers and any other service required.
- (4) These estimates are for the costs incurred for project and construction management and to remodel a premise to conform to our standards and all applicable laws. Leasehold improvement costs vary widely depending on various factors, including location, design, condition, size, local wage rates, the cost of materials and how easily existing services and facilities can be reconfigured. The low estimate assumes that your landlord will provide a partial build-out allowance. The cost of leasehold improvements includes preparation of a site verification survey, preliminary design documents, architectural costs, construction documents, and construction administration services and actual construction. This estimate does not include the costs for real estate, building permits or financing.
- (5) You may purchase or lease the building for your Gym. The landlord or owner of the premises may require you to incur significant capital expenditure in relation to the fit-out, refurbishment and make good of the premises. The extent of that requirement may be beyond our control and may depend on many things which we are unable to disclose.

- (6) Our guidelines require the size of your Gym to encompass ~~2200~~2,200 to ~~3500~~3,500 square feet of unencumbered floor space that is rectangular and, where possible, has 12-foot-high ceilings. Rental expenses will vary widely and by significant amounts, depending on the local market and specific property, due to factors such as condition, location, geographic area, and square footage, zoning requirements and general economic conditions. For these reasons, you should conduct your own due diligence in determining estimate real estate costs or lease costs. You may be required to pay for town planning or governmental approval to use the site for the franchised business. You may also be required to relocate by the landlord. During the term of the Franchise Agreement and/or lease, the franchisor and/or the landlord may require that you refurbish or refit the premises. At the end of the lease you may be required to refurbish, refit or make good the premises to the state the premises were in at the start of the lease.
- (7) You will generally have to pay deposits to obtain services, including electricity, telephone, internet, gas, and water. The amount of the deposit and whether the deposit is refundable will vary with the provider. You should contact each provider for more information.
- (8) Most landlords will require a prepayment of one (1) months' rent and a security deposit equal to the last months' rent. Some landlords may charge you a higher security deposit. Some landlords may charge you a higher security deposit based on your financial strength and related business experience.
- (9) The cost of the furniture and fixtures will vary according to local market conditions, the size of the Gym, suppliers, and other related factors. You must purchase general office supplies including stationery, business cards, and typical office equipment. The precise requirements and costs will vary from one franchisee to another based on the size of the space that you choose and other factors.
- (10) You must purchase the computer equipment, hardware, and software necessary for operating the franchise. The required computer equipment includes a MacMini, iPad, 4 Intel Nucs, cabling and a high-speed Internet router. We require certain equipment and technology to be professionally installed by suppliers approved by us. Presently, we require the technology and audio-visual equipment and sound system to be installed by a supplier we approve.
- (11) This estimate includes fees for (1) the legal review of this disclosure document, your Franchise Agreement, and the lease for your Gym; (2) accounting assistance to assist you in establishing your franchise; and (3) the legal fees associated with hiring an attorney to form a business entity. You are not required to hire an attorney to form your business entity, but we recommend that you do so. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants and the scope of work they are engaged to undertake.
- (12) This amount estimates the expenses you will incur for insurance premiums during the first 3 months of your Gym's operations. See Item 8 for description of the types of insurance required.
- (13) ~~(12)~~ The additional funds range provides the expected adequate working capital needed for the first three months of operation. The additional funds include funds for payroll expenses, other employment related expenses, bank charges, cleaning charges, security charges, courier fees, electricity, telephone and other utility costs, Gym amenities and other expenses incurred before opening and during the first three months of operation. These estimates do not include rent or mortgage payments. Your actual costs during the Gym's first three months of operation depend on many factors, including the following: (i) how closely you follow our methods and procedures; (ii) your previous experience and skill level; (iii) local economic conditions; (iv) the local market for

your services; (v) wage rates; (vi) competition; (vii) external financing costs; and (viii) the sales level reached during the initial period.

~~(13) This estimated initial investment is for one Body Fit Training Gym. The total does not include costs for real estate, building permits, or financing (if you build or purchase the land and build your Gym versus renting). We~~ The range provided may not be adequate and additional working capital may be required if sales are low or fixed costs are high. To determine this estimated amount of Additional Funds, we have relied on industry ~~bench marks~~ benchmarks and /or own experience in opening a company-owned Gym in Santa Monica, California. You should review these figures carefully with a business advisor before deciding to purchase the franchise.

(14) We do not offer any financing for your Initial Franchise Fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are non-refundable. Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments we control.

~~We do not offer any financing for your Initial Franchise Fee or any portion of your initial investment.~~

~~Unless otherwise stated, the amounts described above are non-refundable.~~

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

Health and Fitness Equipment

You must purchase the Health and Fitness Equipment through us, our affiliate, or a supplier we designate. Currently, Body Fit Training Company Pty Ltd is the only approved supplier for the Health and Fitness Equipment. We may require that you purchase the Health and Fitness Equipment from us, and we will remit payment to Body Fit Training Company Pty Ltd on your behalf. We reserve the right to add or remove products from the Health and Fitness Equipment list. We may also require you to purchase the Health and Fitness Equipment from third-party suppliers we designate.

Merchandise

We have the right to make available to you for resale in the Gym merchandise and other goods that contain the Marks. If we make these types of goods available, we may require you to purchase those goods from a supplier we designate, which may be us or our affiliate.

Currently you must spend \$3,000 - \$5,000 (not including shipping, taxes and duties (if any)) for the merchandise starter pack. You must then maintain a minimum inventory level of merchandise as designated in the Manual.

We may also send you a limited number of new range products for visual merchandising purposes up to three times per year. You will be responsible for the costs associated with ~~this~~ the new range products, which we estimate will cost you between ~~\$250—\$1,000 per delivery~~ 2,500 and \$15,000 annually.

Computer hardware and software

You must purchase the necessary computer hardware and software through us or a supplier we designate. Currently, Body Fit Training Company Pty Ltd is the only approved supplier of certain hardware and software. We may require that you purchase the hardware and software from us, and we will remit payment to Body Fit Training Company Pty Ltd on your behalf.

CRM Software

Currently, you must purchase (purchase, lease or license) and use the OneFitStop client relationship management (CRM) software. We require all franchisees to use the same CRM software to ensure uniformity across the system. We reserve our right to change CRM software providers.

Heart rate monitoring system

Currently, you must purchase (purchase, lease or license) and use the MyZone heart rate monitoring system. We require all franchisees to use the same heart rate monitoring system to ensure uniformity across the system. We reserve our right to change heart rate monitoring system providers.

Purchases According to Specifications

You must comply with all of our guidelines and specifications relating to the purchase of all supplies, interior and exterior signage, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Gym. Among other things, the following items must comply with our specifications:

Site Selection and Construction

You are responsible for the selection of the Gym and negotiation of the Gym lease. We recommend you engage a suitably qualified consultant to assist in the selection of the Gym. You must obtain our written approval to the selection of the Gym.

You will, at your cost, procure the preparation and outfitting of the Gym with the Health and Fitness Equipment, fixtures, fittings and signage necessary to bring the Gym up to the standard specified in the Manual including flooring, painting, electrical and partitioning. All works carried out must be in accordance with the Manual, Fit-Out Guide, Startup Guide, BFT Brand Guide, Signage Guide, Brand Identity and Style Guide and must be approved by us.

When locating a Gym, you must satisfy each of our site selection requirements. We will make our site-selection requirements available to you upon request. We typically take into consideration the site location, useable floor space, ceiling heights, amenities, building type and conditioning of building, location and proximity to other ~~Body Fit Training~~[BFT](#) Gyms. Within 10 business days, we will choose whether to accept or not accept the site.

As described in Item 5, if you fail to identify a site for the Gym of which we approve within three months after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement. If you are unable to locate a suitable site in accordance with the Franchise Agreement—without fault, neglect or failure by you—then we may refund to you any amount of the Franchise Fee you paid less \$10,000 (the “Retention Amount”). We may also extend the timeframe for you to identify a suitable site. And we may also, at our option, offer you an alternative Exclusive Marketing Zone. If you fail to locate a suitable site due to your own fault, neglect or failure to use reasonable effort, then we will refund you any amount of the

Franchise Fee paid you less an amount equal to \$10,000 plus 50% of the Initial Franchise Fee (the “Gym Selection Retention Amount”).

Once you have been provided access to the Gym location, you must provide us within 10 days a copy of the design plans for remodeling and construction of the premises. The design plans must reflect the prototypical plans we provide you, as well as our Fit-Out Guide, Startup Guide, BFT Brand Guide, Signage Guide and Brand Identity and Style Guide. We will then review your designs plans before providing written approval or rejection within 10 days of receiving the plans. If we determine that the plans are inconsistent with our guidelines and requirements, we will provide you with a list of required amendments. You will then be required to submit to us a revised version of the design plans that incorporate the required amendments within 10 days of receiving the list of required amendments.

You must not begin construction or fit-out of the Gym premises without our written approval. Any changes to the design plans must be presented to us clearly and in writing. Our written approval is required prior to any proposed changes. Remodeling the Gym and any other material modification to the Gym premises must be requested to us in writing and are subject to our written approval.

Advertising and Promotional Materials

You must use the marketing initiatives developed and supplied by us in the Franchise Documents when marketing and advertising for new business. If you want to use marketing or promotional materials or initiatives not authorized in the Franchise Documents, you must first obtain written approval from us. All advertising and promotional activities must be conducted in a dignified manner and in a manner that reflects the values of the ~~Body-Fit-Training~~BFT system generally.

We may also require you to include in your advertising or promotional materials a reference to the fact that franchises for ~~Body-Fit-Training~~BFT Gyms are available.

Insurance

You must procure and maintain at all times during the term of the Franchise Agreement, from a reputable insurance company approved by us, insurance policies protecting you and us and each of our affiliates, officers, directors, partners, employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the ~~Body-Fit-Training~~BFT Gym.

Please note:

- (a) you must ensure the insurance covers the types of claims covered by the indemnities granted by you under the Franchise Agreement. Performance of your obligations does not relieve you of the obligation to maintain the insurance;
- (b) any insurance policy we maintain does not affect your obligation to maintain insurance policies; and
- (c) you must name us and each of our affiliates, directors, agents and employees that we specify as additional insureds.

These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A.M. Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage in the amount of \$1,000,000, combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, \$5,000 medical payment

limits, or any greater amounts as your lessor may require; (ii) “All Risks” coverage for the full cost of replacement of the Gym premises and all other property in which we may have an interest with agreed amount endorsement for the premises naming us as loss payee; (iii) an “umbrella” policy providing excess coverage with limits of not less than \$3,000,000 which must be excess to the general liability coverage; (iv) business interruption insurance covering at least 12 months’ loss of profits and necessary continuing expenses for interruptions caused by any occurrence; (v) worker’s compensation insurance with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease \$1,000,000 each employee; (vi) professional liability insurance for errors and omissions of your professional staff in providing services to your guests with not less than \$3,000,000 limit of liability and including abuse and molestation with a minimum limit of \$ 300,000, (vii) employment practices liability including third-party coverage for not less than \$500,000 aggregate, and (viii) any other insurance required by the landlord and the state or locality in which your Gym is situated.

You must also provide certificates of insurance, endorsement or other documentation we require evidencing your insurance coverage in compliance with the contractually mandated minimums before your Gym opens, and each year when your policy renews.

Approved Suppliers

To preserve the integrity and consistency of the ~~Body-Fit Training~~[BFT](#) system, you must stock the range and quantity of the products specified in our manual from time-to-time. We reserve the right to add to or remove products from the list of products required to be stocked by you.

You must purchase all products from either us or a supplier approved by us and must pay for all ~~Body-Fit Training~~[BFT](#) Products in accordance with our, or the approved supplier’s terms of trade.

Approved suppliers are those who demonstrate the ability to meet our requirements, who possess adequate quality controls and who have the capacity to supply your needs promptly and reliably, who we have approved in writing. We will make additional information regarding our requirements for proposed suppliers available to you upon request.

If you wish to source a product from a non-approved supplier, you must submit to us a written request for approval. You must not source the product unless you hold our written approval. We have the right to reject any request based on our then-current approval progress. Nothing obliges us to approve any particular supplier. We will approve or disapprove a proposed supplier within 45 days from the date we receive all information required to consider a request for approval. Our requirements for products are available upon written request. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of any inspection and the actual cost of any testing) for our review and consideration of a proposed supplier.

We are an approved supplier for the supply of a portion of Health and Fitness Equipment and computer hardware and software. Other than the Health and Fitness Equipment and computer hardware and software, none of our officers own an interest in any supplier of the ~~Body-Fit Training~~[BFT](#) franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

Purchasing Arrangements

We may negotiate purchase arrangements (including price terms) with suppliers (including approved suppliers) in connection with your purchase of certain items from these suppliers. In doing so, we will seek to promote the overall interests of our franchise system and our interests as Franchisor. We may receive

rebates from approved or designated sources. We may in our sole discretion share the rebate or financial benefit with you for example by obtaining a reduction in the price of products supplied by those suppliers. For the avoidance of doubt, we are under no obligation to share any rebate or financial benefit with you. No material benefits are shared with franchisees based upon their purchase of particular products or services or their use of designated or approved suppliers.

There are currently no purchasing or distribution cooperatives for the system.

You can expect items purchased from suppliers the franchisor designates or approves will represent approximately 20% to 40% of total purchases you will make to begin operations of the franchised business, and approximately 5% to 25% of the ongoing costs to operate the franchised business.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 5.2(b) Section 5.4(a) Section 11.1 Sections 11.3	Items 8 and 11
b. Pre-opening purchases/leases	Section 9.1 Section 9.2 Section 9.5 Section 15.3	Items 5, 6, 7, 8, and 11
c. Site development and other pre- opening requirements	Section 9.5 Section 11.2 Section 11.7 Section 11.8	Items 1, 7, 8, and 11
d. Initial and ongoing training	Section 5.2(b) Section 8.1 Section 8.4 Section 12.2 Section 12.6 Section 12.10 Section 15.2(v) Section 15.11(c) Section 15.12(g)	Items 6, 7, and 11

Obligation	Section in Franchise Agreement	Disclosure Document Item
e. Opening	Section 8.1(a)(ii) Section 12.4(a) Sections 12.5(b) and (c)	Items 7 and 11
f. Fees	Section 3.2 Section 4.2(e) Section 5.2(a) Section 7.2(a)(vii) Section 8.4 Section 12 Section 15.3(b) Section 15.11(c)(iii) Section 15.12(g) Section 16.2(f) Section 17.1(f) Section 17.2 Section 18.10(d) Section 20.6(c) Section 21.1(c)(ii) Section 22.4 and 22.5 Section 28.3	Items 5 and 6
g. Compliance with standards and policies/ Manuals	Section 1.1 Sections 7.3(c)(ix) and (xi) Section 8.3 Section 9.1(a) Section 9.5(d) Section 9.5(c) Section 10.6 Section 11.7 Section 11.8 Section 12.9 Section 12.18(a) Section 14.4(b) Section 15.3(a)(iv) and (d) Section 15.7(a)(ii) Section 15.8 Section 17.1 Section 17.2(c) Section 28.19(d)	Items 8, 11, 14, and 16

Obligation	Section in Franchise Agreement	Disclosure Document Item
h. Trademarks and proprietary information	Section 1.1 Section 8.5 Section 15.7(a)(iii) Section 18 Section 20.3(a)(x) Section 21.1 Section 28.18 Section 28.19(k)	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 9 Section 11.7(b) Section 12.4 Section 12.17(b)(v) Section 14.4 Section 14.5 Section 15.4 Section 17.1(a) Section 19.2(f) Section 23	Items 8 and 16
j. Warranty and customer service requirements	Section 4 Section 15.4 Section 15.6 Section 15.7 Section 15.14 Section 28.19(e) and (o)	Item 16
k. Territorial development and sales quotas	Section 7.3(c)(i) Section 15.12	Item 12
l. Ongoing product/service purchases	Section 9	Items 8, 11, and 16
m. Maintenance, appearance, and remodeling requirements	Section 9.5(c)(v) Section 11.7 Section 11.8	Item 8
n. Insurance	Section 8.4(b) and (c) Section 15.2(d)(iii) Section 17	Items 7 and 8

Obligation	Section in Franchise Agreement	Disclosure Document Item
o. Advertising	Section 2.2 Section 9.6(b) Section 12.4 Section 12.18(b)(ix) Section 15.5 Section 19.2(f)	Items 6, 8, and 11
p. Indemnification	Section 17 Section 18.3(f) Section 18.10 Section 21.1(b)(iii)	Item 6
q. Owner's participation/ management/ staffing	Section 1.1 Section 5.1	Items 1, 11, and 15
r. Records and reports	Section 13.18	Item 11
s. Inspections and audits	Section 10.5(d) Section 13.17 Section 13.19 Section 16.7	Items 6 and 11
t. Transfer	Section 3.4 Section 13.3 Section 16.10 Section 21 Section 26	Items 6, 10, and 17
u. Renewal or extension of rights	Section 8 Section 12.5(d) Section 13.9 Section 24.1 Section 31.3(b)	Items 6, 12, and 17
v. Post-termination obligations	Section 17 Section 18.4(b) and (c) Section 18.6 Section 21 Section 23 Section 26 Section 28.3 Section 28.6 Section 28.10	Item 17
w. Noncompetition covenants	Section 23	Item 17
x. Dispute resolution	Section 22	Item 17

Obligation	Section in Franchise Agreement	Disclosure Document Item
y. Other (personal guarantee)	Section 24	Item 15

ITEM 10 FINANCING

Neither we nor any of our agents or affiliates offer any direct or indirect financing to you or guarantee any note, lease, or obligation for you.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance. We may delegate some of our obligations under the Franchise Agreement to affiliates or other service providers.

Pre-Opening Obligations: Before you open your Gym, we will:

1. Assist and support the Franchisee with the selection of the Gym. (Franchise Agreement; Section 12.7(a))

Assistance and support may include visits to the site, analysis of the surrounding demographics, and general site selection advice, the extent of which will vary based on the specific circumstances, including the location and condition of the proposed site.

2. Recommend a suitably qualified ~~consult~~consultant who may assist in the selection of the Gym. (Franchise Agreement; 11.1(c)(iii))

You must identify and secure a site for your ~~Body-Fit-Training~~BFT Gym within the Exclusive Marketing Zone. (Franchise Agreement; 2.2(b))

We must accept the site as meeting our standards. You cannot place a Gym at a site we have not first accepted in writing. (Franchise Agreement; Section 11.1(c)(iv).) Your failure to obtain a site that we approve and open within the specified time period (3 months after the Effective Date of the Franchise Agreement) constitutes a failure to satisfy a condition precedent, for which we may terminate the Franchise Agreement. (Franchise Agreement; Section 5.2(b)(iii))

~~If~~In addition, if you ~~fail~~are unable to ~~comply~~locate a suitable site in accordance with the ~~condition precedent, Franchise Agreement within three months after the effective date of the Franchise Agreement~~—without fault, neglect or failure by you,—then we ~~will~~may refund to you any amount of the Franchise Fee (you paid less \$10,000 (the “Retention Amount”)) ~~and the Franchise Agreement will be at an end.~~ (Franchise Agreement; Section 5.4(c)). We may also extend the timeframe for you to identify a suitable site. And we may also, at our option, offer you an alternative Exclusive Marketing Zone. If you fail to locate a suitable site due to your own fault, neglect or failure to use reasonable effort, then we will refund you any amount of the Franchise Fee paid you less an amount equal to \$10,000 plus 50% of the Initial Franchise Fee (the “Gym Selection Retention Amount”). (Franchise Agreement; Section 3.2 (b))

Once you have identified a suitable site for your ~~Body-Fit Training~~[BFT](#) Gym, you must provide a written submission to us with any supporting documents and materials (e.g., photos, floor plans, elevations, etc.) along with the supplied site selection checklist showing ample evidence that the proposed site complies with the requirements as set out in the site selection guidelines. Upon receipt of all relevant documentation, we will review this information against our site selection guidelines taking into consideration the site location, useable floor space, ceiling heights, amenities, building type and conditioning of building, location and proximity to other ~~Body-Fit Training~~[BFT](#) Gyms and within 10 business days, will choose whether to accept or not accept the site.

In the instance where multiple sites have been submitted and approved, you must notify us within 10 business days of the site you intend to acquire for the purposes of a ~~Body-Fit Training~~[BFT](#) franchise.

You must select the Gym within three (3) months of signing the Franchise Agreement and use your best efforts to ensure the ~~Body-Fit Training~~[BFT](#) Gym is open to the public within six (6) months. (Franchise Agreement; Section 11.1)

Within four (4) months after signing the Franchise Agreement, you must enter into a lease or contract of sale for the site. (Franchise Agreement; ~~Section 5.4(a)~~)

You must obtain all zoning classifications, clearances, and approvals relating to the site and all required permits, licenses, and certifications. (Franchise Agreement, Section 5.2(b)(vi))

You must not begin construction or fit-out of the Gym premises without our written approval. Any changes to the design plans must be presented to us clearly and in writing. Our written approval is required prior to any proposed changes. (Franchise Agreement, Sections 11.6 and 11.7).

We will not typically own any premises for a franchisee to lease as the Gym site.

3. Assist with the set-up of the Gym. (Franchise Agreement; Section 12.7(a))
4. Supervise or procure the supervision of the fit-out and the installation of the Health and Fitness Equipment in the Gym. (Franchise Agreement; Section 12.7(b))

Our assistance does not mitigate your obligation to procure the preparation and outfitting of the Gym with the Health and Fitness Equipment, fixtures, fittings and signage necessary to bring the Gym up to the standard specified in the Manual including flooring, painting, electrical and partitioning. (Franchise Agreement; Section 11.7(a))

All work carried out must be in accordance with the Operations Manual, Fit-Out Guide, Startup Guide, BFT Brand Guide, Signage Guide, Brand Identity and Style Guide . (Franchise Agreement; Section 11.7(b))

5. Provide you with access to the prototypical plans, Startup Guide and the Brand Identity and Style Guide. (Franchise Agreement; Section 11.7(b))
6. Assist with the launch of the Gym. (Franchise Agreement; Section 12.7(a))
7. Market the launch of the ~~Body-Fit Training~~[BFT](#) Gym. (Franchise Agreement; Section 12.4(a))

8. Provide you and/or Manager with a minimum of 5 days training in:
 - (a) the ~~Body-Fit-Training~~[BFT](#) System and the know-how necessary to conduct the ~~Body-Fit-Training~~[BFT](#) franchise (including training in systems, CRM, sales and finance, the use of the MyZone and ~~Body-Fit-Training~~[BFT](#) proprietary software systems, physical training and competencies and strength and conditioning standards). (Franchise Agreement; Section 8.1(a) and 12.2); and
 - (b) onsite training at the Gym, or at ~~Body-Fit-Training~~[BFT](#) HQ. (Franchise Agreement; Section 8.1(a)(ii)).

Typical Length of Time Before You Open Your ~~Body-Fit-Training~~[BFT](#) Gym

The typical time between the earlier of signing the Franchise Agreement or making first payment under the Franchise Agreement and opening the Gym is approximately 185 days. This time period may be shorter or longer depending on time taken to locate a gym, the modifications that must be made to the site to accommodate your ~~Body-Fit-Training~~[BFT](#) Gym, obtaining any financing, obtaining permits and governmental agency approvals, and construction and remodeling requirements. Delay in construction may result from weather, labor shortages or equipment failures. You must open your Gym within six (6) months after signing the Franchise Agreement, unless we give you a written extension. (Franchise Agreement; Section 11.1(c)(vi))

Continuing Obligations: After your Gym opens we will:

1. Provide additional training as you may require from time-to-time. (Franchise Agreement; Section 8.4(a))
2. Provide ongoing support to the Franchisee by providing:
 - (a) technical and operational advice and assistance when requested;
 - (b) regular communications concerning matters of relevance to the ~~Body-Fit-Training~~[BFT](#) Gym;
 - (c) on-site visits by field representatives; and
 - (d) access to ongoing training.(Franchise Agreement; Section 8.5(a))
3. Take all reasonable steps to maintain the integrity of the ~~Body-Fit-Training~~[BFT](#) System and use all reasonably necessary steps to protect the Intellectual Property against any adverse action or infringement by any person. (Franchise Agreement; Section 8.5(b))
4. Make the ~~Body-Fit-Training~~[BFT](#) System available to you as soon as practicable after executing the Franchise Agreement. (Franchise Agreement; Section 14.1(a))
5. Take all reasonable steps to develop and promote the ~~Body-Fit-Training~~[BFT](#) System. (Franchise Agreement; Section 14.1(b))
6. Monitor adherence to the ~~Body-Fit-Training~~[BFT](#) System. (Franchise Agreement; Section 14.1(c))

7. Manage relationships with Approved Suppliers. (Franchise Agreement; Section 14.1(d))
8. Generally coordinate the operation of the ~~Body-Fit Training~~BFT System among the ~~Body-Fit Training~~BFT franchisees. (Franchise Agreement; Section 14.1(e))
9. Maintain relationships with key suppliers. (Franchise Agreement; Section 14.1(f))
10. Generally coordinate national marketing, advertising and promotional initiatives to promote the successful operation and expansion of the ~~Body-Fit Training~~BFT System. (Franchise Agreement; Section 14.2)
11. Supply you with an initial supply of standard business reporting forms and other stationery.

Advertising

We do not require franchisees to participate in any sort of advertising fund. Hence, we do not use any advertising funds collected from franchisees to solicit new franchise sales.

We will coordinate national marketing, advertising and promotional initiatives for the ~~Body-Fit Training~~BFT System from time to time, at our option. To a lesser extent, we may also coordinate regional and local marketing, advertising and promotional initiatives from time to time, when we deem it appropriate. We may create the content in-house or work with an advertising agency. We are not required to spend any amount of money on these advertising or promotional initiatives, including in your Exclusive Marketing Zone.

Under the Franchise Agreement, we may at any time establish a council of ~~Body-Fit Training~~BFT franchisees (“Franchise Advisory Council” or “FAC”) to advise and assist us in the running of the system and the network of franchisees, and/or for any other purpose (such as an advertising cooperative). However, there is not currently any Franchise Advisory Council or any other council (including an advertising council) for franchisees. There are also currently no advertising cooperatives in the system.

You must spend at least \$1,500 per month on local advertising for your Gym. You may spend more at your discretion. If you do not spend the required amount on local advertising, then we reserve the right to require that you pay a third-party \$1,500 per month, and the designated third-party will use such monies to pay for local advertising for your Gym. You must not use any marketing or other materials advertising or promoting the Gym unless all of those materials comply with the Brand Identity and Style Guide and have been approved by us.

You must not establish or operate any website or social media account, or engage in any other direct or indirect method of marketing or selling any BFT Products, approved promotional products or approved services, other than those specified in the Manual.

You may on your personal website or personal social media account:

- (i) publish general photographs or images of the BFT Gym;
- (ii) publish member pictures limited to a maximum of 7 per week provided the member’s written consent has been obtained;
- (iii) share content from the Franchisor’s website or the Franchisor’s social media account to your social media network.

Computer System and Software Requirements

You are required to purchase, install, maintain, and upgrade the computer hardware, software, peripheral equipment, and all other technology-related items as listed in the Operations Manual and Fit-out Guide as supplied to you for the successful operation of the franchise business. These also include internet telecommunications systems, data cabling, and sound systems. Security systems are not mandatory but may be installed at the franchisee's discretion with written approval from the franchisor. The specified CRM system must be installed. This includes remote access for the franchisor to independently access and retrieve electronically any information stored within the software, including, without limitation, information concerning gross revenue. [There is no limit on our right to independently access the information on your CRM system.](#) We also may require you to enter into software license agreements in the form that we require for software we develop or acquire for use in the system and pay all fees associated with such agreements. Currently, the required computer equipment includes a Mac Mini and a desktop PC, four ~~intel~~[Intel](#) NUC mini PC's as well as a tablet (as specified in the Fit-out Guide). Hardware and software systems are subject to further change at the discretion of the Franchisor. Any and all information contained in and collected by any computer equipment is the exclusive and sole property of the Franchisor.

We estimate the cost of the computer system will be approximately \$10,000 to \$15,000. You must also pay us, or a third-party we require, the following each month: (1) Email Administration Fee, currently \$10 per month per each email assigned to the bodyfittraining.com domain (you must pay for a minimum of two ~~Body Fit Training~~[BFT](#) email addresses); (2) annual computer system hardware and software maintenance and upgrade costs, currently \$1,500 - \$3,000; and (3) Heart Rate Platform Fee, currently \$185 per month. We reserve the right to increase these fees as our costs increase.

[We may require that you change or upgrade any computer software or hardware or security system used in the Gym from time to time at our option, and there is no contractual limitation on our right to require these changes or upgrades.](#) Neither we, nor our affiliates or any third-parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. Currently, we do not require you to enter into any maintenance/upgrade contracts for the computer system or other technology devices other than those stated above. If we do require you to enter into any maintenance agreements or to update the computer system, you will pay all costs associated with such agreements and requirements.

Operations Manual

After you execute the Franchise Agreement, we will provide you with access to our Manuals, which may only be provided via the Internet or intranet. A copy of the table of contents of the Manuals is attached as Exhibit E. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. The total number of pages in the Manuals is currently 60 pages.

Training

Within four months after you and we have entered into a Franchise Agreement, your Manager must attend our Initial Training Program in Los Angeles, California, which is currently conducted over a period of seven days, subject to change at the discretion of the Franchisor. When you register your attendee(s) for Initial Training, you must pay us \$1,500 for the first attendee and an additional \$500 for each additional attendee.

Your Designated Owner will also be required to attend at a minimum the sales, marketing and operations components of the Initial Training, or any other initial training that we designate.

You are responsible for paying the costs of travel, lodging, meals, and compensation for you and your attendees to attend the Initial Training. During the Initial Training, in addition to providing you information and guidance relating to the development and operation of your Gym, we will evaluate your performance and engagement during the training program to determine, in our sole discretion, whether your Manager or Designated Owner requires any additional training. We conduct the Initial Training at least once a quarter.

The subjects covered and other information relevant to our initial training programs are described below:

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Initial Training	8		At a designated place in California
Operations Manual Guided Review	8		
Set-up and Operations	8		
Trainer Training	24		
Conducting Classes		20	
Total	48	20	

Our operations manual, fit-out guide and training manual serve as the material provided to support your initial training program. Our training programs are delivered by various qualified and experienced head office employees and some external consultants who are deemed experts in their fields. Training is supervised by Richard Burnet and Cameron Falloon, both of whom have been with the franchisor since its inception and have more than five years of experience in management at companies devoted to athletics. Existing franchises and their facilities may be used as a part of the training program to facilitate your learning.

It is a requirement for your Manager and Designated Owner to attend the training. All relevant parties must complete all or some of the training as specified by us. This includes, but is not limited, to ongoing training, online learning and education as directed by us, conferences and any other professional development opportunities we deem fit for you and or your staff to attend to assist in successfully running your franchised business. Failure to attend the initial training will be prohibitive in your ability to open your franchise. You are responsible for all costs incurred in relation to the initial training for you and your staff and any further training or conferences as required by us, including travel, lodging, meals and wages.

Additional Training

We must provide you with additional training as you may request from time to time or that we reasonably require you to undertake. You must pay us the additional training fee and you will be responsible for all accommodation, food, travel, insurance and other costs incurred in attending the additional training.

We may also provide seminar training sessions to you, your Manager and your other staff at our headquarters from time to time. You will be responsible for all accommodation, food, travel, insurance and

other costs incurred by you, your Manager and your staff in attending the seminar training session.

Conferences

We may hold an annual conference for all franchisees to attend. Your Designated Owner and Manager must attend all annual conferences. You must pay all travelling, living and other expenses and costs that your attendees incur in connection with attending the annual conference. The conference will be held in the United States.

ITEM 12 TERRITORY

The exclusivity granted by the Franchise Agreement is limited to the exclusive right to select and operate the ~~Body-Fit-Training~~BFT Gym from a premises and to market the ~~Body-Fit-Training~~BFT Gym in the Exclusive Marketing Zone. 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

You must not market or solicit business for the ~~Body-Fit-Training~~BFT Gym outside the Exclusive Marketing Zone identified in the Franchise Agreement unless with the express prior approval of us which may be revoked at any time.

For the avoidance of doubt, the restriction on you that prevents you from soliciting business outside the Exclusive Marketing Zone includes local area marketing and advertising such as flier drops, business and community partnerships, signage, geo-targeting via social media and other tactical marketing and advertising. We acknowledge that some advertising and marketing mediums through mass media, such as television, radio and internet, will extend to a wider audience outside of the Exclusive Marketing Zone, and those forms of advertising and marketing require our prior approval.

The Premises

The premises from which you will operate the Gym is subject to our approval. Our guidelines dictate that the size of your Gym will be 2200 square feet to 3500 square feet of unencumbered floor space that is rectangular and, where possible, has 12 feet high ceilings.

~~Body-Fit-Training~~BFT Gyms are typically located in in-line shopping malls or other types of multi-use buildings.

Exclusive Marketing Zone

The Exclusive Marketing Zone is determined by making an assessment of a number of factors. Usually, a site is selected in medium to high density areas with a medium to high socio-demographic.

In general terms, consideration is given to the population within the Exclusive Marketing Zone, the location of the site, competitor locations and types, distances from existing ~~Body-Fit-Training~~BFT gyms. There is no minimum size for an Exclusive Marketing Zone.

Relocation

You must not relocate the Gym without our consent. You must relocate to another site within the Exclusive Marketing Zone.

Additional Gym

~~¶~~The Franchise Agreement does not grant to you any options, rights of first refusal, or similar rights to acquire additional franchises. However, if you form the view that the demand for the Approved Services, Approved Nutritional Products and Approved Promotional Products will sustain an additional ~~Body-Fit Training~~BFT gym/s within the Exclusive Marketing Zone, then you may make a written application to the Franchisor for consent to the establishment of an additional ~~Body-Fit Training~~BFT gym within the Exclusive Marketing Zone.

Restrictions on use of Gym

You must not without the prior written consent of the Franchisor:

- (a) conduct the ~~Body-Fit Training~~BFT franchise, or any part of it, from any location other than the Gym; or
- (b) relocate or substantially change the size and layout of the Gym.

Other

We retain all other rights. Among other things, this means we can, without compensation to you:

- (i) operate and license to others the right to operate ~~Body-Fit Training~~BFT gyms outside the Exclusive Marketing Zone; and
- (ii) advertise and promote the ~~Body-Fit Training~~BFT system inside and outside of the Exclusive Marketing Zone; and
- (iii) develop and establish other business systems using the Marks, or other names or marks, and grant licenses to use those systems without providing any rights to you; and
- (iv) purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business, and that following such activity we may operate or license those other businesses under any names or marks regardless of the proximity to, or the competitive impact on, the ~~Body-Fit Training~~BFT Franchise; and
- (v) engage, directly or indirectly, or license other businesses to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of all forms (including electronic forms) any services and products, under the Marks, or under other names or marks, at any location, through any method of distribution other than a ~~Body-Fit Training~~BFT gym, including, but not limited to, mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, the ~~Body-Fit Training~~BFT Franchise; and
- (vi) offer and sell products and services other than a ~~Body-Fit Training~~BFT gym.

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those your Gym will offer.

Deposit Agreement

As described in Item 5, as an initial step prior to entering into a Franchise Agreement, we also offer prospective franchisees the opportunity to enter into a deposit agreement with us, which provides that we will not establish a BFT Gym within a territory that you and we designate until the termination of the deposit agreement. The deposit agreement terminates at the earlier of the following: (a) 30 days after the effective date of the deposit agreement, (b) the date on which you notify us that you have elected not to enter into a Franchise Agreement with us, or (c) the date we enter into a Franchise Agreement. In exchange for these limited territorial rights, you will pay to us a deposit, which is \$5,000. The deposit will be credited toward the Initial Franchise Fee if you enter into a Franchise Agreement with us. If you do not enter into a Franchise Agreement with us before the deposit agreement expires, we retain the deposit that you paid.

ITEM 13 TRADEMARKS

The Franchise Agreement gives you a license to operate a ~~Body Fit Training~~BFT gym using the Marks and any future Marks we authorize.

The following table lists the principal Marks. We or ~~Body Fit Training Company Pty Ltd~~GRPX Live Unit Trust ABN 61 537 567 ("IP Owner") (or our affiliate) intend to file all appropriate affidavits for these Marks at the appropriate times required by law.

MARK	FILING DATE	SERIAL NUMBER
BODY FIT TRAINING <u>BFT</u>	Filing Date: 10/4/2019 <u>12/2/2020</u>	Serial No.: 88641919 <u>90353485</u>
	Filing Date: 10/4/2019 <u>12/2/2020</u>	Serial No. 88641913 <u>90353477</u>
	Filing Date: 10/4/2019	Serial No. 88641923

Neither we nor ~~Body Fit Training Company Pty Ltd~~IP Owner has a federal registration for the principal Marks listed in the table above. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our or ~~Body Fit Training Company Pty Ltd~~IP Owner's right to use these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses. We will reimburse you for your direct expenses of implementing our requirements to change to an alternative trademark to identify your business.

~~Body Fit Training Company Pty Ltd~~IP Owner owns the Marks. ~~Body Fit Training Company~~IP Owner, through its trustee GRPX Live Pty Ltd ACN 614817962, has licensed us the perpetual right to use the Marks, ~~including the principal Marks listed above,~~ and to sublicense the use of the Marks to operate ~~Body~~

~~Fit Training gyms~~ BFT Gyms under ~~a trademark license agreement~~ an intellectual property licence deed that the parties executed in ~~April 2020~~ on May 30, 2021 (the “Trademark License Agreement”). ~~Body Fit Training Company Pty~~ IP Owner may terminate the Trademark License Agreement by written notice (a) after an insolvency event, pursuant to the timeframe in a written order to show cause; (b) at any time on three months’ notice; or (c) immediately if: (i) we breach the terms of the Trademark License Agreement and fail to cure remedy the breach under it within 3014 days of Body Fit Training Company Pty Ltd’s notice to us of that breach. Breaches under the Trademark License Agreement include (i) our failure or refusal to perform a required duty under the Trademark License Agreement, (ii) our use of the Marks in a manner that Body Fit Training Company Pty Ltd reasonably believes threatens the validity or integrity notice from IP Owner specifying the breach, or (ii) if there is a material change in our organization, management or constitution, or a change in the goodwill, beneficial ownership of the Marks, and (iii) our failure or refusal to comply with any other provision of the Trademark License Agreement or any instruction of Body Fit Training Company Pty Ltd concerning quality control standards for the Marks majority of shares in our capital. If the Trademark License Agreement is terminated, ~~any then existing sublicenses (franchises) will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other limitations~~ IP Owner may step into our rights under the Franchise Agreement, which may be assigned to IP Owner or its designee.

Pending Trademark Registrations and Rights of Other Users

~~Our federal trademark applications for the Marks described above (Application No. 88641919, Application No. 88641913, and Application No. 88641923) were preliminarily refused by the U.S. Patent and Trademark Office (USPTO). The primary reason for the refusal is the existence of a senior registration for BODYFIT owned by a third party, which covers some services that the examiner contends are related to the services listed in our federal trademark applications. BODY FIT TRAINING (Application No. 88641919) has also been preliminarily refused on the grounds that it is merely descriptive.~~

~~We have also received an informal objection from a different third party to the registration of the mark covered by Application No. 88641913 because of the element “BFT.”~~

~~We have filed an action with the USPTO to cancel the senior third party registration for BODYFIT on the grounds that the mark has been abandoned. That action is in its early stages. While we believe that, ultimately, these issues will be resolved, it is possible we may not be able to register the Marks described in the chart above. Also, if the USPTO or a court were to rule that the owner of the current registration for BODYFIT has senior rights and that our use of BODY FIT TRAINING conflicts with those rights, it is possible that we could be ordered to cease using or licensing these Marks in the other party’s primary trade area, which is apparently Rhode Island, or nationwide. We have also learned of several other uses of names comprising or containing BODYFIT by third parties in particular local areas. Although we believe that our right to use and license the Marks is superior to some of those other users, there is a risk that courts could disagree with us. In addition, some of the third party uses of names containing or comprising BODYFIT appear to predate our U.S. rights. We are aware of uses of BODYFIT or names comprising or containing BODYFIT in White Stone, VA, Batesville, AR, Lake Park, GA, Kansas City, MO, Smithfield, NC, Santa Cruz, CA, Sacramento, CA, San Diego, CA, New Jersey, Tennessee, Valencia, PA, and Kutztown, PA. Although not all of these uses predate ours, should any of these third parties object to our use of the Marks, it is possible that we could be ordered to cease using or licensing the Marks in these parties’ trade areas, or nationwide.~~

~~Except as discussed above, there~~

There is no presently effective determination of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use or licensing.

~~In addition, except~~

We have received an informal objection from a third party to (1) the registration of the mark covered by Application No. 88641913 because of the element “BFT,” and (2) to the registration and use of the Mark “BFT” alone.

Except as ~~discussed~~stated above, we know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

The Franchise Agreement

The Franchise Agreement provides that you have the following obligations (among others) with regard to the Marks and other intellectual property:

1. You must not do anything or aid or assist any other party to do anything which would infringe upon or harm our rights, or the rights of our affiliates (including ~~Body Fit Training Company Pty Ltd~~IP Owner) relating to the whole or any part of the Marks or the other intellectual property;
2. You must not contest our rights, or the rights of our affiliates (including ~~Body Fit Training Company Pty Ltd~~IP Owner) relating to the whole or any part of the Marks or other intellectual property;
3. You must notify us of any suspected infringement of the Marks or the other intellectual property and take such action as we direct in relation to that infringement, as further described below;
4. You must not use the Marks or other intellectual property except directly in the Body Fit Training franchise and in accordance with the terms of the Franchise Agreement;
5. You must compensate us and our affiliates (including ~~Body Fit Training Company Pty Ltd~~IP Owner) for your use of the Marks or other intellectual property other than in accordance with the Franchise Agreement and the Manuals;
6. You must indemnify the us and our affiliates (including ~~Body Fit Training Company Pty Ltd~~IP Owner) for any liability incurred to third parties for any use of the Marks and other intellectual property other than in accordance with the Franchise Agreement; and
7. You must provide to us and our affiliates (including ~~Body Fit Training Company Pty Ltd~~IP Owner) necessary details of any modification, discovery or improvement made by you concerning the System.

If you receive notice or become aware of: (a) any infringement or threatened infringement of any of the Marks or other intellectual property or any action amounting to common law passing off; or (b) any third party allegation or claim that any of the Marks or other intellectual property is liable to cause deception or confusion to the public, or is an infringement of a third party’s rights or is otherwise liable to attack or to be removed from a register, you must immediately notify the us in writing giving the particulars of the notice or allegation. You understand and agree that we and our affiliates will have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement of such a matter. We and our affiliates have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks or other intellectual property.

If we or any of our affiliates (including ~~Body-Fit Training Company Pty Ltd~~[IP Owner](#)) commences or defends or becomes involved in proceedings in relation to the intellectual property:

1. You must provide all information that the you have in respect of the proceedings to us and ~~Body-Fit Training Company Pty Ltd~~[IP Owner](#);
2. You must, at our cost, provide all assistance and cooperation necessary in such proceedings including the production of documents and the giving of evidence; and
3. we and our affiliates (including ~~Body-Fit Training Company Pty Ltd~~[IP Owner](#)) will be entitled to receive all proceeds of any actions which they commence or defend in relation to the Intellectual Property.

We and/or our affiliates have the right, upon reasonable notice, to change, discontinue, or substitute any of the Marks or other intellectual property and to adopt new Marks or other intellectual property for use with the System without any liability for any diminishment of the brand. You agree to implement any such change at your own expense within the time we reasonably specify. We will reimburse you for your direct expenses in implementing any changes that we require.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or patent applications that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials and videos/images relating to the operation of ~~Body-Fit Training~~[BFT](#) Gyms and the System. [We have not registered these copyrights.](#)

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You can give this confidential information only to your employees who need it to operate your ~~Body-Fit Training~~[BFT](#) Gym. You must have your Manager and any of your other personnel who have received or will have access to our confidential information, sign similar covenants.

If you develop any new concept, process, or improvement in the operation or promotion of your ~~Body-Fit Training~~[BFT](#) Gym, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

You must be a corporation, limited liability company, or other type of business entity. At least one of your owners must serve as a guarantor of your obligations under the Franchise Agreement.

You must identify a Designated Owner of whom we approve. The Designated Owner is directly responsible for causing you to fulfill your duties under the Franchise Agreement. The Designated Owner is required to be a guarantor of the franchisee entity; have a minimum ownership interest of at least 15% in the franchisee entity; reserve and exercise ultimate authority and responsibility with respect to the management and operation of the ~~Body-Fit Training~~BFT franchise; represent and act on behalf of the Franchisee in all dealings with the Franchisor; and otherwise satisfy our minimum qualification requirements described in the Manual.

You must also identify an individual of whom we approve to serve as your Manager. There is no requirement for the Manager to own a portion of the ~~Body-Fit Training~~BFT Gym. The Manager must devote the Manager's full time and effort to the active management and operation of the ~~Body-Fit Training~~BFT Gym; complete our minimum qualification requirements; reserve and exercise ultimate authority and responsibility with respect to the management and operation of the ~~Body-Fit Training~~BFT Gym; and represent and act on behalf of the franchisee entity in all dealings with the us.

The Designated Owner and the Manager may be the same individual.

The Manager must successfully complete our initial training program and any additional training and/or seminars we deem necessary. The Designated Owner may be required to attend the sales, marketing and operations components of the Initial Training, or another initial training that we designate. The Designated Owner may also be required to attend additional training (for which you may be required to pay a fee). The Designated Owner and Manager must also attend all annual conferences of ~~Body-Fit Training~~BFT franchisees.

Our approval of a Designated Owner and/or Manager will be based on whether the proposed Designated Owner or Manager have a good business reputation, appear to have the business and interpersonal skills and acumen to manage this type of business, are not competitors of ours, and whether they can successfully complete all required training.

You must also maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers. You also must take any steps as are necessary to ensure that the Manager and all of your employees preserve good customer relations, adhere to our performance guidelines in the Manual, and comply with all applicable state and/or local board laws, regulations and guidelines.

You and your guarantors (including the Designated Owner) must agree to keep all of our confidential information confidential, as further described in the Franchise Agreement. We may also require that your employees, including the Manager, enter into confidentiality agreements. You and your guarantors (including the Designated Owner) are also required to enter into a covenant not to compete.

You must comply with all applicable labor, employment and wage and hours laws and regulations. All personnel decisions, including hiring, firing, disciplining, compensating, benefits, and scheduling, will be made by you, without any influence from us, and such decisions and actions will not be, nor be deemed to be, a decision or action of ours, even if we provide any advice or recommendations on any issue.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In order to preserve the integrity and consistency of the ~~Body Fit Training~~BFT system, we require you to purchase the Health and Fitness Equipment from an approved supplier (which may be us or an affiliate). You must only use Health and Fitness Equipment in the ~~Body Fit Training~~BFT Gym that has been approved by us.

You must stock the range and quantity of ~~Body Fit Training~~BFT products and promotional products we specify from time-to-time. We reserve the right to add or to remove products from the list of ~~Body Fit Training~~BFT products and promotional products we require you to stock.

You must purchase all ~~Body Fit Training~~BFT products and promotional products from either us or a supplier approved by us in accordance with the respective supplier's terms of trade.

You must operate the ~~Body Fit Training~~BFT Gym in accordance with all applicable laws and secure all necessary permits and licenses required to properly operate the ~~Body Fit Training~~BFT Gym.

You must open and operate the Gym during the hours we specify in the Manuals or otherwise in writing. We reserve the right to remove all unapproved products, goods, and materials from your ~~Body Fit Training~~BFT Gym.

We may, based on what we consider to be good business practice, to the fullest extent allowed, establish maximum, minimum, or other pricing requirements with respect to the prices you may offer services and products for.

You must not establish or operate any website or social media account, or engage in any other direct or indirect method of marketing or selling any ~~Body Fit Training~~BFT Products, approved promotional products or approved services, other than those specified in the Manual.

You may on your personal website or personal social media account:

- (i) publish general photographs or images of the ~~Body Fit Training~~BFT Gym;
- (ii) publish member pictures limited to a maximum of 7 per week provided the member's written consent has been obtained;
- (iii) share content from the Franchisor's website or the Franchisor's social media account to your social media network.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
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Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 6.	10-year initial term.
b. Renewal or extension of the term	Section 7.	Two, additional, consecutive 5-year terms.
c. Requirements for franchisee to renew or extend	Section 7.2. Section 7.3. Section 11.8. Section 12.8.	To renew your Franchise Agreement, you must meet all required conditions for renewal, including: not being in default under the Franchise Agreement; complying with the conditions of the Franchise Agreement during the term; redecorating the gym; obtaining an extension of the gym lease; paying the renewal fee; obtaining all necessary permits and comply with then-current qualifications and training requirements; executing our then-current form of release (See Exhibit F) and signing our then-current form of Franchise Agreement, which may be <u>contain</u> materially different to <u>terms and conditions than the original Franchise Agreement</u> the form attached to this disclosure document.
d. Termination by franchisee	Section 20.4.	You may terminate the Franchise Agreement if: you are not in breach of the Franchise Agreement; we have breached a material provision of the Franchise Agreement; you provide the us with notice of the breach providing a reasonable period to rectify the breach and we fail to rectify the breach.
e. Termination by franchisor without cause	Not applicable.	Not applicable.
f. Termination by franchisor with cause	Section 20.1.	Where you have breached a provision of the Franchise Agreement or any other franchise document and following the provision of notice outlining the breach; what action is required to remedy the breach; and a reasonable period of time to remedy the breach, you fail to remedy the breach within the reasonable period, we may terminate

Provision	Section in Franchise Agreement	Summary
		the Franchise Agreement.
g. "Cause" defined – curable defaults	Section 20.1.	A breach of any provision of the Franchise Agreement where the default is curable.
h. "Cause" defined - non-curable defaults	Section 20.4.	Non-curable breaches include: you no longer holding a licence required to carry on your Gym; bankruptcy; insolvency; dissolution; filing of a bill in equity for the appointment of receiver; appointment of receiver or custodian; proceedings for a composition with creditors; final judgment unsatisfied for 30 days or more; you suffering the levy of execution against any material portion of your business or property; voluntary abandonment; conviction of certain crimes; threat to public health or safety; acts fraudulently in connection with the operation of the Gym; takes or omits to take any action which is ground for immediate termination under applicable laws.
i. Franchisee's obligations on termination/non-renewal	Section 21.1	Upon termination/non-renewal you must: stop operating the Gym and using the System's confidential methods, procedures techniques, and Marks; assist with the transfer of the Gym; return all property belonging to us, to us; transfer the landline, mobile telephone numbers, email addresses and key contact information, as well as the usernames, administrative codes and passwords for all social media accounts, domain names, or other online presence used in relation to the Gym; upon our request, transfer to us or our designee your interest in any lease then in effect for the Gym, for which we will not be obligated to pay any compensation to you and we will notify you of our intent to exercise this option and the identity of the designee within 30 days after termination or expiration of the Franchise Agreement; pay amounts due and our damages and enforcement costs; comply with confidentiality and

Provision	Section in Franchise Agreement	Summary
		restraint provisions; immediately cease using all social media accounts and provide all social media account usernames and password information to us.
j. Assignment of contract by franchisor	Section 18.6. Section 19.1.	If the Franchise Agreement is terminated, you must, if request by the IP owner, novate the Franchise Agreement to the IP owner. We may transfer our rights without restriction, and you must execute all necessary documentation to give effect to the transfer.
k. "Transfer" by franchisee – definition	Section 1.1. Section 15.10.	You must not permit any change in your legal or beneficial ownership or control, or mortgage, lease, charge, transfer, assign or otherwise deal with the Gym. Transfer includes sell, assign, transfer, dispose of or otherwise create any legal or beneficial interest in or otherwise deal with the Body Fit Training BFT franchise.
l. Franchisor approval of Transfer by franchisee	Section 19.2.	We must consent and you must meet conditions before transferring.
m. Conditions for franchisor approval of transfer	Section 19.2(h).	We must not wish to acquire the Gym; you must request our consent with all information we reasonably require; you have provided the proposed assignee the disclosure document and have complied with all applicable laws; the proposed assignee meets our selection criteria; you must not be in default; you must pay all amounts due; you must pay our legal costs including costs incurred in assessing a potential assignee; you must enter into our then current form of release. Proposed assignee must meet our criteria, obtain all required licences and permits, complete required training; execute any guarantees, security documentation and comply with our other finance related preconditions; and enter into our then-current franchise

Provision	Section in Franchise Agreement	Summary
		agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19.2.	If you want to sell or transfer the Gym, you must notify us in writing of the sale price and terms of the proposed sale. We will then have to option, by notice in writing exercisable within 14 days on receiving your written notice, to buy the Gym.
o. Franchisor's option to purchase franchisee's business	Section 21.2.	Upon termination or expiration we have the option to purchase all or part of the Body Fit Training BFT Products, Approved Promotional Products, Approved Nutritional Products, Health and Fitness Equipment and any other physical assets used in the Gym. We have the option to have the lease for the premises of the Gym assigned to us.
p. Death or disability of franchisee	Section 4.2. Section 19.2.	If the Designed Owner or Manager resigns, is disabled or permanently incapacitated or dies, then you must nominate an alternate Designated Owner or Manager for our approval as soon as possible.
q. Non-competition covenants during the term of the franchise	Section 23.	You must not carry on or be engaged in or concerned with a business of the general type and kind engaged by Body Fit Training BFT franchisees or any other business of a similar nature.
r. Non-competition covenants after the franchise is terminated or expires	Section 23.	You must not carry on or be engaged in or concerned with a business of the general type and kind engaged by Body Fit Training BFT franchisees or any other business of a similar nature.
s. Modification of the agreement	Section 2.3. Section 7.2. Section 15.8. Section 19.2.	We reserve the right to make minor changes to the Exclusive Marketing Zone. If the franchise is renewed or transferred, you or the transferee will be required to enter into our then current Franchise Agreement which may be different from the previous Franchise Agreement. You must comply with the Manual as varied or amended.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	Section 28.8. Section 28.9.	The rights and obligations of the parties under the Franchise Agreement do not merge on completion of any transaction contemplated by the Franchise Agreement. Only <u>Notwithstanding the terms of the franchise foregoing, nothing in any agreement are binding (subject to state law). Any is intended to disclaim the express representations or promises outside of the disclosure document and franchise agreement may not be enforceable made in the Franchise Disclosure Document, its exhibits and amendments.</u>
u. Dispute resolution by arbitration or mediation	Section 22.	All controversies, claims and disputes arising under or in connection with the Franchise Agreement are to be settled by mutual consultation between the parties, but failing amicable settlement finally by arbitration.
v. Choice of forum	Section 22.5.	Unless otherwise require by the <u>Subject to</u> applicable <u>state</u> law, arbitration is to be conducted in Los Angeles County, California, in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
w. Choice of law	Section 28.16.	Unless otherwise required by the <u>Subject to</u> applicable <u>state</u> law, the Franchise Agreement is to be governed by, interpreted and construed under the laws of the State of California. Any law regulating the offer or sale of the franchise, business opportunities or similar interests, or governing the relationship between the franchisor and franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently.

ITEM 18 PUBLIC FIGURES

As of the issuance date of this disclosure document, Body Fit does not use any public figure to promote its 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 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 performance at a particular location or under particular circumstances.

We

The historic information disclosed in this Item was obtained from the one company-owned and 92 franchised BFT Gyms that were in operation as of March 31, 2021 in Australia, and the one company-owned gym that was in operation as of March 31, 2021 Santa Monica, California.

All BFT Gyms in the charts below are considered standard Gyms, and they operate under the System. The Gym in Santa Monica, California operates under the Marks, however, the Australian Gyms operate under the "Body Fit Training" trademark. We are not aware of any material differences between the affiliate-owned and franchised Gyms in the charts below and the franchises being offered in this Disclosure Document.

Franchised Gyms reported this data to us or our affiliate. Our auditors have not performed any review of the information disclosed below in this Item.

Membership sales performance will vary from Gym to Gym. In particular, the sales of memberships to your Gym will be directly affected by the Gym's geographic location, competition in the market, presence of other Gyms in the market area, the quality of both the management and service at the Gym, and contractual relationships with lessors and vendors.

Santa Monica, California

The chart below displays the number of members that entered into membership agreements to join the BFT Gym in Santa Monica, California at three points in time (1) on the date that the Gym opened for business, which was November 2019; (2) six months after the date the Gym opened for business; and (3) twelve months after the date the gym opened for business.

This Gym operates pursuant to a joint-venture agreement between us and Jacob Gise.

Number of Members at the BFT Gym in Santa Monica, California

<u>Type of Gym</u>	<u>Number of Gyms Included</u>	<u>Number of Members Upon Opening (November 2019)</u>	<u>Number of Members 6 Months After Opening</u>	<u>Number of Members 12 Months After Opening</u>
<u>Affiliate-Owned</u>	<u>1</u>	<u>179</u>	<u>228</u>	<u>304</u>

Australia

The following chart displays the high, low, average, and median number of members for the one affiliate-owned Gym, and the 92 franchised Gyms that are located in Australia and were open and operating as of March 31, 2021. As of March 31, 2021, 36 franchised Gyms had been open and operating for less than six months; 27 franchised Gyms had been open and operating between six and twelve months; and 29 franchised Gyms had been open and operating for more than twelve months.

Number of Members at BFT Gyms in Australia That Were Open and Operating as of March 31, 2021

Type of Gym	<i>Gyms Open 0-6 Months As of March 31, 2021</i>						<i>Gyms Open 6-12 Months As of March 31, 2021</i>						<i>Gyms Open 12+ Months As of March 31, 2021</i>					
	Number of Gyms	Range of Number of Members		Average Number of Members	Number and % of Gyms Above/Below Average	Median Number of Members	Number of Gyms	Range of Number of Members		Average Number of Members	Number and % of Gyms Above/Below Average	Median Number of Members	Number of Gyms	Range of Number of Members		Average Number of Members	Number and % of Gyms Above/Below Average	Median Number of Members
		High	Low					High	Low					High	Low			
<u>Affiliate-Owned*</u>	<u>1</u>	<u>170</u>	<u>170</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Franchised</u>	<u>36</u>	<u>256</u>	<u>83</u>	<u>123</u>	<u>20, 55% below avg., 16, 45 % above average</u>	<u>127</u>	<u>27</u>	<u>346</u>	<u>93</u>	<u>234</u>	<u>17, 63% below avg., 10, 37% above average</u>	<u>206</u>	<u>29</u>	<u>462</u>	<u>137</u>	<u>232</u>	<u>15, 52% below avg., 14, 48% above, average</u>	<u>231</u>
<u>All Gyms (Combined Affiliate-Owned and Franchised)</u>	<u>37</u>	<u>256</u>	<u>83</u>	<u>124</u>	<u>20, 55% below avg., 16, 45 % above average</u>	<u>129</u>	<u>28</u>	<u>346</u>	<u>93</u>	<u>234</u>	<u>17, 63% below avg., 10, 37% above average</u>	<u>206</u>	<u>30</u>	<u>462</u>	<u>137</u>	<u>232</u>	<u>15, 52% below avg., 14, 48% above, average</u>	<u>231</u>

* This Gym operates pursuant to a joint-venture agreement between us and Differ Creative Pty Ltd.

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Some Gyms have achieved these amounts. Your individual results may differ. There is no assurance you will achieve as much.

The information in the chart above reflects historical data for affiliate-owned and franchised Gyms, and is not a forecast of future financial performance or projection. A new franchisee's financial performance is likely to differ from the results described in this Item. Actual results vary from Gym to Gym, and we cannot estimate the results of a particular franchised Gym. We recommend that prospective franchisees make their own independent investigation to determine whether the business may be profitable, and consult with an attorney, accountant and other advisors before executing the Franchise Agreement.

Written substantiation of the data used in preparing the financial performance representations described above will be made available to you upon reasonable request.

Other than the preceding financial performance representations, 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 any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Nathan, National Franchise Manager on +61 412 510 836 c/- 216A/208 Hall St, Spotswood Victoria Australia 3015, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary For Years ~~2017~~, 2018 and ~~2019~~ to 2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017 2018	0 0	0 0	0 0
	2019	0	0	0
	<u>2020</u>	<u>0</u>	<u>1</u>	<u>1</u>
Company-Owned	2017 2018	0 0	0 0	0 0
	2019	0	1	1
	<u>2020</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Outlets	2017 2018	0 0	0 0	0 0
	2019	0	1	1
	<u>2020</u>	<u>1</u>	<u>2</u>	<u>1</u>

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2017~~2018 to ~~2019~~2020

State ⁽²⁾	Year	Number of Transfers
All States	2017 2018	0 0
	2019	0
	<u>2020</u>	<u>0</u>
Total	2017 2018	0 0
	2019	0
	<u>2020</u>	<u>0</u>

Table No. 3
Status of Franchised Outlets
For years ~~2017~~2018 to ~~2019~~2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2017	0	0	0	0	0	0	0
Florida	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Total	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1

Table No. 4
Status of Affiliate-Owned Outlets
For years ~~2017~~2018 to ~~2019~~2020

State ⁽³⁾	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California*	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Total	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1

*This outlet opened pursuant to a joint-venture agreement with Jacob Gise.

Table No. 5
Projected Openings As Of December 31, ~~2019~~2020 for ~~2020~~2021

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 Year
California	0	1 3	0
Florida	1 0	2 10	0

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 Year
Total	4 <u>0</u>	3 <u>13</u>	0

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A are audited financial statements for Body Fit Training USA Incorporated as of December 31, ~~2020~~2019 and ~~interim unaudited financial statements dated July 4~~December 31, 2020. Our fiscal year end is December 31.

ITEM 22 CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

Exhibits

- B. Franchise Agreement, and attachments
- F. Form of General Release

Attachments

- C. State-Specific Addenda to Franchise Agreement

ITEM 23 RECEIPTS

Attached as the last two pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A
FINANCIAL STATEMENTS

BODY FIT TRAINING INCORPORATED
FINANCIAL STATEMENTS

Body Fit Training USA, Inc.

**Consolidated Financial Statements
For the Year Ended
December 31, 2020**

Body Fit Training USA, Inc.

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Independent Auditor's Report

To the Board of Directors of
Body Fit Training USA, Inc.
Santa Monica, California

We have audited the accompanying consolidated financial statements of Body Fit Training USA, Inc. (the Company), a Delaware corporation, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

H&LA Certified Public Accountants, Inc.

April 12, 2021

Body Fit Training USA, Inc.
Consolidated Balance Sheet
December 31, 2020

Assets

Current Assets

Cash	\$ 259,767
Loan to related party	9,433
Prepaid expenses	<u>18,136</u>
Total current assets	<u>287,336</u>

Property and Equipment

Computers and audio equipment	16,669
Gym equipment	46,694
Leasehold improvements	<u>375,906</u>
Total property and equipment	439,269
Less accumulated depreciation	<u>(55,388)</u>
Property and equipment, net	<u>383,881</u>

Other Assets

Security deposit	<u>185,000</u>
Total assets	<u><u>\$ 856,217</u></u>

Liabilities and Equity

Current Liabilities

Accounts payable	\$ 25,046
Deferred revenue	<u>12,691</u>
Total current liabilities	37,737

Long-Term Liabilities

Deferred rent	<u>205,468</u>
Total liabilities	<u>243,205</u>

Equity

Shareholder's equity	631,139
Noncontrolling interest	<u>(18,127)</u>
Total equity	<u>613,012</u>
Total liabilities and equity	<u><u>\$ 856,217</u></u>

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Operations
For the Year Ended December 31, 2020

Membership revenue	<u>\$ 520,405</u>
Operating expenses	
Depreciation	49,371
Legal fees	402,824
Rent	208,475
Salaries and wages	134,247
Other	<u>78,341</u>
Total operating expenses	<u>873,258</u>
Loss from operations	(352,853)
Other income	<u>68,618</u>
Net loss before noncontrolling interest	(284,235)
Net income attributable to noncontrolling interest	<u>33,856</u>
Net loss attributable to the Company	<u><u>\$ (318,091)</u></u>

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Equity
For the Year Ended December 31, 2020

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance at January 1, 2020	100	\$ 100	\$ 772,403	\$ (221,111)	\$ 551,392	\$ (51,983)	\$ 499,409
Capital contributions	-	-	397,838	-	397,838	-	397,838
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(318,091)</u>	<u>(318,091)</u>	<u>33,856</u>	<u>(284,235)</u>
Balance at December 31, 2020	<u>100</u>	<u>\$ 100</u>	<u>\$ 1,170,241</u>	<u>\$ (539,202)</u>	<u>\$ 631,139</u>	<u>\$ (18,127)</u>	<u>\$ 613,012</u>

The Company has 5,000 authorized shares.

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities

Net loss	\$ (318,091)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	49,371
Forgiveness of PPP loan	(50,000)
Deferred rent	92,695
Net loss attributable to noncontrolling interest	33,856
Expenses paid by contributing equity	397,838
Changes in operating assets and liabilities:	
Other current assets	58,328
Prepaid expenses	(18,136)
Accounts payable	25,046
Deferred revenue	12,691
	<u>601,689</u>
Total adjustments	
	<u>283,598</u>

Cash flows from investing activities

Purchases of property and equipment	<u>(8,643)</u>
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Cash flows from financing activities

Loan to related party	(9,433)
Proceeds of PPP loan	50,000
Repayments on related party loan	<u>(85,567)</u>
	<u>(45,000)</u>

Net increase in cash	229,955
Cash, beginning of year	<u>29,812</u>
Cash, end of year	<u><u>\$ 259,767</u></u>

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

1. Description of Business and Legal Structure

In 2018, Body Fit Training USA, Inc. (BFT USA) was incorporated in Delaware and, together with an individual (the Business Manager), filed Articles of Organization to form World Class Functional Training LLC, a California limited liability company (WCFT). WCFT was funded in 2019 with interest-free loans from BFT USA and the Business Manager, with no defined repayment terms.

In November 2019, WCFT commenced operations in Santa Monica, California, as a fitness training center. In accordance with the operating agreement of WCFT, on certain conditions, BFT USA will transfer its interests in WCFT, in predefined stages, to the Business Manager.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of BFT USA and WCFT (together, the Company). All inter-company transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company considers cash on hand, cash in demand deposit accounts, including money market funds, and instruments with an original maturity date of 90 days or less to be cash and cash equivalents. As of December 31, 2020, the Company did not have any cash equivalents.

Revenue Recognition

Membership revenue is recognized and payment is generally received biweekly or monthly as services are provided. The Company's contracts contain one performance obligation. The Company does not have multiple-element arrangements, variable consideration, noncash consideration, licenses, long-term contracts with customers or other items affecting the transaction price. There were no accounts receivable and no deferred revenues at January 1, 2020.

Deferred Rent

Rent expense, including free rent, scheduled rent increases, and tenant improvement allowances provided by the landlord, is recorded on a straight-line basis over the term of the lease. The net excess of rent expense over cash paid to date has been recorded as deferred rent in the accompanying consolidated balance sheet.

Property and Equipment

Property and equipment are stated at cost. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Depreciation on other assets is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in results of operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized.

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately \$16,000 for the year ended December 31, 2020.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

For the year ended December 31, 2020, the Company incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2020, the Company had federal and state net operating losses, which carry forward indefinitely, and certain timing differences, together totaling approximately \$670,000 and resulting in deferred tax assets of approximately \$200,000.

For financial reporting purposes, the Company has incurred a loss since its inception. Management believes it is more likely than not that any deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2020.

All tax returns from the Company's inception are subject to income tax examination by tax authorities.

Long-Lived Assets

The Company's long-lived assets consist of property and equipment.

The Company reviews the carrying values of its property and equipment for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2020, the Company did not identify any material impairment of its property and equipment.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the depreciation lives of property and equipment and the carrying values of deferred tax assets. Actual results could differ from those estimates.

PPP Loan

The Company has accounted for the forgiveness of the Paycheck Protection Program (PPP) loan by analogy to International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Under this model, government assistance is not recognized until there is reasonable assurance that (1) any conditions attached to the assistance will be met and (2) the assistance will be received. Once there is reasonable assurance that the conditions will be met, the earnings impact of government grants is recorded "on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate." Specifically, a business entity would record the cash inflow from the PPP loan as a deferred income liability. Subsequent to initial recognition, a business entity would reduce the liability, with the offset through earnings as it recognizes the related cost to which the loan relates. The Company's management believes that, by December 31, 2020, the conditions attached to the assistance had been met and there was reasonable assurance that the forgiveness would be received. Consequently, the forgiveness has been reported as other income in the consolidated statement of operations.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This ASU will require entities to recognize lease assets and lease liabilities on the face of the financial statements and to disclose key information about leasing arrangements to enable readers of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This ASU was originally effective for private companies for fiscal years beginning after December 15, 2020, and interim periods within those years, with early adoption permitted. On May 20, 2020, the FASB voted to extend by one year the effective date of this ASU. This standard will have a material effect on the consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through April 12, 2021, the date the consolidated financial statements were available to be issued.

3. Concentrations of Credit Risk

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Company is exposed to any significant related credit risk.

4. Operating Lease Commitments

The Company leases its Santa Monica gym facility under a lease agreement dated January 8, 2019, and ending November 15, 2029. The lease was amended on November 24, 2020, to abate unpaid rent for four months, require the repayment of one month of rent in the form of monthly increases through 2021, and extend the term of the lease to March 31, 2030. The Company pays its share of common area maintenance and utilities. Rent expense for the year ended December 31, 2020 was \$208,475.

Future minimum lease payments are as follows for the years ending December 31:

2021	\$	214,008
2022		189,041
2023		196,603
2024		204,467
2025		212,645
Thereafter		<u>1,082,500</u>
Total future minimum lease payments	\$	<u><u>2,099,264</u></u>

5. Litigation

The Company is a named defendant in a patent infringement lawsuit filed by F45 Training PTY LTD (F45) that is currently pending in U.S. District Court, District of Delaware (the Court). A Motion to Dismiss (the Motion) has been filed on behalf of the Company requesting that the Court declare the F45 patent being asserted to be patent ineligible. If the Motion is successful, the lawsuit will be dismissed with prejudice. If the Motion is not successful, the lawsuit will proceed in accordance with the typical timing and process of patent cases pending in the Court. Based upon information currently available, management believes that the Motion has a reasonable chance of success. If, however, the Motion is not granted, management believes that the Company has one or more legitimate defenses to F45's asserted claim of patent infringement. While the ultimate outcome of this matter is not presently determinable, it is the

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

5. Litigation (Continued)

opinion of management that the resolution will not have a material adverse effect on the financial position or results of operations of the Company. Consequently, no provision has been made in the consolidated financial statements for any liability for this lawsuit. However, it is at least reasonably possible that the Company's estimate of its liability may change in the near term.

The Company may be involved from time to time in litigation arising from the operations of the Company, none of which is expected to have a material adverse effect on the Company's financial position or results of operations.

6. COVID-19

The U.S., including California, where the Company's fitness training center is located, is experiencing the effects of the COVID-19 pandemic.

The Company was unable to operate for 2½ months of 2020 during the early stages of the pandemic. Future disruptions to the Company's business could include reduced revenues and restrictions on its employees' ability to work. COVID-19 could adversely affect economies and financial markets, which could reduce demand for the Company's services and impact its operating results. Any of the foregoing could harm the Company's business in ways the Company cannot anticipate. Although the Company is continuing to monitor and assess the effects of the pandemic on its business and has taken steps to mitigate some risks arising from the impact of COVID-19, including the PPP loan (see Note 7), the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change.

7. PPP Loans

On May 15, 2020, the Company received a loan from MBE Capital Partners LLC totaling \$50,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, enacted on March 27, 2020. Under the terms of the PPP, the loan may be forgiven if used for qualifying expenses as described in the CARES Act including payroll costs, mortgage interest payments, lease payments, rent, utilities, and interest on other debt obligations incurred. Management believes that the entire loan amount has been used for qualifying expenses and the loan will be forgiven in full.

Under the original terms of the loan, 18 monthly payments of principal and interest at 1% were payable commencing on December 1, 2020 (a deferral period of six months) and ending on May 15, 2022. In October 2020, the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for payments of principal, interest, and fees on all PPP loans to the date that the US Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender (or, if any part of the loan is not forgiven, 10 months after the end of the borrower's loan forgiveness covered period). The extension of the deferral period automatically applies to all PPP loans and the SBA does not require a formal modification to the promissory note.

In the event that the loan is not forgiven, the Company will be liable to pay approximately \$25,000 in 2021.

In January 2021, the Company received a second loan under the PPP of \$50,000. The terms of the loan and the forgiveness feature are similar to the first-round loan.

Supplementary Information

Body Fit Training USA, Inc.
Consolidating Statement of Operations
For the Year Ended December 31, 2020

	<u>BFT USA</u>	<u>WCFT</u>	<u>Consolidated</u>
Membership revenue	\$ -	\$ 520,405	\$ 520,405
Operating expenses			
Depreciation	-	49,371	49,371
Legal fees	402,702	122	402,824
Rent	-	208,475	208,475
Salaries and wages	-	134,247	134,247
Other	16,955	61,386	78,341
Total operating expenses	419,657	453,601	873,258
Income (loss) from operations	(419,657)	66,804	(352,853)
Other income	-	68,618	68,618
Net (income) loss before noncontrolling interest	(419,657)	135,422	(284,235)
Net income attributable to noncontrolling interest	-	33,856	33,856
Net income (loss) attributable to the Company	<u>\$ (419,657)</u>	<u>\$ 101,566</u>	<u>\$ (318,091)</u>

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.

**Consolidated Financial Statements
For the Year Ended
December 31, 2019**

Body Fit Training USA, Inc.

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Independent Auditor's Report

To the Board of Directors of
Body Fit Training USA, Inc.
Santa Monica, California

We have audited the accompanying consolidated financial statements of Body Fit Training USA, Inc. (the Company), a Delaware corporation, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying schedule is presented for purposed of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion or a conclusion, nor provide any assurance on it.

H&LA Certified Public Accountants, Inc.

June 23, 2020

Body Fit Training USA, Inc.
Consolidated Balance Sheet
December 31, 2019

Assets

Current Assets

Cash	\$ 29,812
Other current assets	58,329
Total current assets	88,141

Property and Equipment

Computers and audio equipment	13,160
Gym equipment	46,694
Leasehold improvements	370,772
Total property and equipment	430,626
Less accumulated depreciation	(6,017)
Property and equipment, net	424,609

Other Assets

Security deposit	185,000
Total assets	\$ 697,750

Liabilities and Equity

Long-Term liabilities

Deferred rent	\$ 112,773
Loan from related party	85,567
Total long-term liabilities	198,340

Equity

Shareholder's equity	551,393
Noncontrolling interest	(51,983)
Total equity	499,410
Total liabilities and equity	\$ 697,750

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Operations
For the Year Ended December 31, 2019

Membership revenue	<u>\$ 45,194</u>
Preoperating expenses	262,560
Operating expenses	<u>55,727</u>
Total expenses	<u>318,288</u>
Net loss	(273,094)
Net loss attributable to noncontrolling interest	<u>51,983</u>
Net loss attributable to the Company	<u><u>\$ (221,111)</u></u>

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Equity
For the Year Ended December 31, 2019

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance at January 1, 2019	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares	100	100	772,403	-	772,503	-	772,503
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,111)</u>	<u>(221,111)</u>	<u>(51,983)</u>	<u>(273,094)</u>
Balance at December 31, 2019	<u>100</u>	<u>\$ 100</u>	<u>\$ 772,403</u>	<u>\$ (221,111)</u>	<u>\$ 551,393</u>	<u>\$ (51,983)</u>	<u>\$ 499,410</u>

The Company has 5,000 authorized shares.

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities

Net loss	\$ (221,111)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	6,017
Deferred rent	112,773
Net loss attributable to noncontrolling interest	(51,983)
Increase in assets:	
Accounts receivable	(58,329)
Total adjustments	8,478
Net cash used by operating activities	(212,633)

Cash flows from investing activities

Purchases of property and equipment	(371,677)
-------------------------------------	-----------

Cash flows from financing activities

Proceeds from loan	42,103
Equity contributions	572,018
Net cash provided by financing activities	614,121

Net increase in cash	29,812
Cash, beginning of year	-
Cash, end of year	\$ 29,812

Supplemental disclosure of noncash investing and financing activities

During the year ended December 31, 2019, a security deposit of \$185,000 and property and equipment purchases of \$58,949 were paid by means of equity contributions and loan from a related party.

See accompanying notes and independent auditor's report.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2019

1. Description of Business and Legal Structure

In 2018, Body Fit Training USA, Inc. (BFT USA) was incorporated in Delaware and, together with an individual (the Business Manager), filed Articles of Organization to form World Class Functional Training LLC, a California limited liability company (WCFT). WCFT was funded in 2019 with interest-free loans from BFT USA and the Business Manager, with no defined repayment terms.

In November 2019, WCFT commenced operations in Santa Monica, California, as a fitness training center. In accordance with the operating agreement of WCFT, on certain conditions, BFT USA will transfer its interests in WCFT, in predefined stages, to the Business Manager.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of BFT USA and WCFT (together, the Company). All inter-company transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company considers cash on hand, cash in demand deposit accounts, including money market funds, and instruments with an original maturity date of 90 days or less to be cash and cash equivalents. As of December 31, 2019, the Company did not have any cash equivalents.

Revenue Recognition

Membership revenue is recognized and payment is received monthly as services are provided. The Company's contracts contain one performance obligation. The Company does not have multiple-element arrangements, variable consideration, noncash consideration, licenses, long-term contracts with customers or other items affecting the transaction price.

Deferred Rent

Rent expense, including free rent, scheduled rent increases, and tenant improvement allowances provided by the landlord, is recorded on a straight-line basis over the term of the lease. The net excess of rent expense over cash paid to date has been recorded as deferred rent in the accompanying consolidated balance sheet.

Property and Equipment

Property and equipment are stated at cost. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Depreciation on other assets is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in results of operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

For the year ended December 31, 2019, the Company incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2019, the Company had federal and state net operating losses, which carry forward indefinitely, and certain timing differences, together totaling \$200,000 and resulting in deferred tax assets of approximately \$60,000.

For financial reporting purposes, the Company has incurred a loss since its inception. Management believes it is more likely than not that any deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2019.

Long-Lived Assets

The Company's long-lived assets consist of property and equipment.

The Company reviews the carrying values of its property and equipment for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2019, the Company did not identify any material impairment of its property and equipment.

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately \$36,000 for the year ended December 31, 2019.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the depreciation lives of property and equipment and the carrying values of deferred tax assets. Actual results could differ from those estimates.

Recently Issued Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This ASU will require entities to recognize lease assets and lease liabilities on the face of the financial statements and to disclose key information about leasing arrangements to enable readers of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This ASU will be effective for fiscal years beginning after December 15, 2020. This standard will have a material effect on the consolidated financial statements.

3. Concentrations of Credit Risk

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Company is exposed to any significant related credit risk.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2019

4. Operating Lease Commitments

The Company leases its Santa Monica gym facility under a lease agreement that expires on November 15, 2029. The Company pays its share of common area maintenance and utilities. Rent expense for the year ended December 31, 2019, was \$78,520.

Future minimum lease payments are as follows for the years ending December 31:

2020	\$ 190,582
2021	198,205
2022	189,041
2023	196,603
2024	204,467
Thereafter	<u>1,201,577</u>
Total future minimum lease payments	<u>\$ 2,180,475</u>

5. Going Concern Risk and Subsequent Events

The Company incurred significant costs before WCFT commenced operations in November 2019. Revenues for 2019 were approximately \$45,000.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, most states, including California, where the Company is headquartered, have declared a state of emergency, and most of the country is in some form of a “lock-down” condition. Management is continuing to monitor and assess the effects of the pandemic on the Company’s business, but the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change.

These factors create uncertainty about the Company’s ability to continue as a going concern in the absence of continued funding from outside sources.

As a result of the pandemic, the Company immediately pivoted by providing a home workout application to existing members, allowing limited revenue to continue throughout the pandemic and enabling members to stay engaged and active. Management expects that this revenue, together with financial assistance from the government, rent waivers and deferrals from the landlord, will enable the Company to continue as a going concern until it returns to normal operations. In addition, the sole shareholder of BFT USA has demonstrated intent and ability to continue to fund the Company’s operations for at least one year from the date the consolidated financial statements were available to be issued.

On May 15, 2020, the Company received a loan from MBE Capital Partners LLC totaling \$50,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, enacted on March 27, 2020. The loan, in the form of a note, is payable in full on May 15, 2022 and bears interest at a rate of 1% per annum. Principal and interest of \$2,815 are payable monthly commencing on December 1, 2020. The note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, mortgage interest payments, lease payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company intends to use the entire loan amount for qualifying expenses.

Body Fit Training USA, Inc.
Notes to Consolidated Financial Statements
December 31, 2019

5. Going Concern Risk and Subsequent Events (Continued)

In order to apply for the PPP loan, the Company was required to certify, among other things, that the current economic uncertainty made the PPP loan request necessary to support its ongoing operations. The Company made this certification in good faith after considering its need for additional funding to continue operations, and its ability to access alternative forms of capital. The Company believes that it has satisfied all eligibility criteria for the PPP loan, and that its receipt of the PPP loan is consistent with the objectives of the PPP. If it is later determined that the Company was ineligible to receive the PPP Loan, the Company may be required to repay the loan in its entirety and be subject to penalties. On May 13, 2020, the Small Business Administration (SBA) determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.

Management has evaluated subsequent events through June 23, 2020, the date the consolidated financial statements were available to be issued.

Supplementary Information

Body Fit Training USA, Inc.
Consolidated Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2019

	<u>January 1, 2019 - November 15, 2019</u>	<u>November 16, 2019 - November 30, 2019</u>	<u>December 1, 2019 - December 31, 2019</u>	<u>Total</u>
Membership revenue received	\$ 7,983	\$ 2,186	\$ 35,025	\$ 45,194
Pre-opening expenses paid	210,213	-	-	210,213
Operating expenses paid	<u>-</u>	<u>17,150</u>	<u>30,463</u>	<u>47,613</u>
Net	<u>\$ (202,230)</u>	<u>\$ (14,964)</u>	<u>\$ 4,562</u>	<u>\$(212,632)</u>

See independent auditor's report.

EXHIBIT B
FRANCHISE AGREEMENT
(AND ATTACHMENTS)

~~Body Fit Training~~ BFT

Franchise Agreement –

Body Fit Training USA, Inc. (**Franchisor**)

The entity described as the Franchisee at Item 1 of Schedule 1 to this Agreement (**Franchisee**)

The person/s described as the Guarantors at Item 2 of Schedule 1 to this Agreement (**Guarantor**)

Franchise Agreement

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Details

Date _____

Parties

Name Body Fit Training USA, Inc., a Delaware corporation
Short form name **The Franchisor**
Notice details 5716 Corsa Avenue, Suite 100, Westlake Village, CA 91326

Name The entity described in Item 1 of Schedule 1
Short form name **The Franchisee**
Notice details

Name The person/s described in Item 2 of Schedule 1
Short form name **Guarantor**
Notice details The addresses described in Item 2 of Schedule 1

Background

- A. The Franchisor is the licensee of the Intellectual Property.
- B. The Franchisor has developed business procedures and systems together with a distinctive and valuable name, image and reputation associated with the conduct of a group training focused gym under the name “~~Body Fit Training~~BFT.”
- C. The Franchisee wishes to carry on a ~~Body Fit Training~~BFT Franchise in accordance with the ~~Body Fit Training~~BFT System.
- D. The Franchisee and each Guarantor have requested that the Franchisor grant a franchise to the Franchisee.
- E. The Franchisor has agreed to grant a ~~Body Fit Training~~BFT Franchise to the Franchisee on the terms and conditions set out in this Agreement, which the Franchisee and each Guarantor have accepted.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this Agreement:

Accounting Records includes without limitation, business records, quotations, invoices, check stubs, bank statements, worksheets, notes and memoranda, files, ledger records, profit and loss statements, balance sheets, statements of cash flow, journals and any other documents, records, notes or reports.

Accounting Standards means generally accepted accounting principles, policies, practices and procedures in the United States.

Additional Training Fee means the amount the amount specified in Item 16 of 28.20(b).

Affiliate means, with respect to a specified entity, a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the entity specified.

Annual Business Plan means the business plan required to be provided by the Franchisee to the Franchisor in accordance with Section 15.12.

Annual Conference Attendees means the Manager and the Designated Owner.

Annual Conference Fee means the amount set out in 22 of 28.20(b) and described in clause 15.13.

Applicable Laws means all federal, state and local laws, statutes, ordinances, regulations, guidelines, rulings, administrative orders, decrees and policies that regulate any aspect of the operation of the ~~Body Fit Training~~[BFT](#) Franchise, including, without limitation, laws relating to operating and selling memberships for health and fitness centers, if and to the extent applicable, the Americans with Disabilities Act and other laws regarding public accommodations for persons with disabilities, laws regulating employment practices and employee relations, and data privacy and data security laws.

Approved Nutritional Products means the supplements and food products approved by the Franchisor for sale in the ~~Body Fit Training~~[BFT](#) Franchise in accordance with the procedure set out in the Manual.

Approved Promotional Products means the promotional products such as apparel, water bottles and headwear approved by the Franchisor for use or sale in the ~~Body Fit Training~~[BFT](#) Franchise in accordance with the procedure set out in the Manual.

Approved Services means leading group training sessions and Programs, providing training, health and fitness advice to Members, prospective Members who are using the Gym on a trial basis and casual users of the Gym and such other services approved by the Franchisor for provision in the ~~Body Fit Training~~[BFT](#) Franchise in accordance with the procedure set out in the Manual.

Approved Supplier means a supplier of Approved Promotional Products, Approved Nutritional Products, ~~Body Fit Training~~[BFT](#) Products or Health and Fitness Equipment approved by the Franchisor in accordance with the procedure for approval set out in the Manual. In evaluating any proposed Approved Supplier, Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost

of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and products of any such Approved Supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then current criteria.

Body-Fit TrainingBFT Franchise means the **Body-Fit TrainingBFT** gym operated by the Franchisee from the Gym in accordance with the Franchise Documents.

Body-Fit TrainingBFT Franchisees means, collectively, the entities that have been granted a right to operate a **Body-Fit TrainingBFT** Franchise by the Franchisor in the United States at any time during the Term, whether commencing before or after the Commencement Date, as varied from time to time.

Body-Fit TrainingBFT HQ means the office holders of the Franchisor and the Franchisor's staff, contractors and/or suppliers that provide services, products and support to the operation of the **Body-Fit TrainingBFT** System.

Body-Fit TrainingBFT Products means "**Body-Fit TrainingBFT**" branded products required to be used and/or stocked in the **Body-Fit TrainingBFT** Franchise.

Body-Fit TrainingBFT System means the:

- (a) distinctive image (including characteristics, features, presentation and image of a member of the network as portrayed in advertising, marketing and promotions), visual appearance, reputation and presentation of the Franchisor and **Body-Fit TrainingBFT** Franchisees in the market;
- (b) the Franchisor's name, the Intellectual Property, and the brand names, logos and slogans associated with the Franchisor; and
- (c) business procedures and systems developed by the Franchisor for the operation of the **Body-Fit TrainingBFT** System including those concerning a consistent high quality approach to Member service, team-orientated training using scientific methods, innovative Programs and use of technology cleanliness, uniform operating techniques and business management generally.

Brand Identity and Style Guide means the Franchisor's guide for the visual representation and use of the "**Body-Fit TrainingBFT**" name on marketing and promotional material as set out in the Manual from time to time.

Business Day means:

- (a) for receiving a notice under Section 27, a day that is not a Saturday, Sunday or public holiday in the place where the notice is sent; and
- (b) for all other purposes, a day that is not a Saturday, Sunday or public holiday in the State in which the Gym is located.

Business Hours means those hours specified in the Manual.

Business Name means the business name set out in Item 8 of Schedule 1 or as agreed by the parties in writing.

Capacity means any legal or personal capacity of conduct, regardless of whether that capacity of conduct is characterized as activity carried out:

- (a) alone or together with any other person, company, firm, partnership, trust or statutory body;

- (b) directly or indirectly;
- (c) by any one or more of a promoter, shareholder, partner, joint venturer, agent, consultant, adviser, trustee, lender, supplier, licensor, creator, owner or part owner.

Claim has the meaning set out in Section 17.2.

Collateral Assignment of Gym Lease means the document in form attached hereto as Schedule 5 under which the Franchisee will collaterally assign the Gym Lease to the Franchisor as security for the timely performance of all obligations under this Agreement.

Commencement Date means the date set out in Item 5 of Schedule 1.

Confidential Information means any confidential or commercially sensitive or valuable information belonging to the Franchisor or concerning the Franchisor and the ~~Body Fit Training~~[BFT](#) System and includes any Franchise Documents, Intellectual Property, price lists, Member lists and Member information, suppliers, any financial information concerning the Franchisor, the mode of operation, advertising, publicity, or any other methods of the Franchisor. Unless otherwise agreed to by the parties, confidential information also includes details relating to the outcome of any mediation between the parties and details relating to any settlements reached by the parties as part of a dispute resolution process.

Corporate Member means a firm or company that has entered into a Membership Agreement with the Franchisee.

Data Protection Laws means all data protection and privacy requirements under Applicable Laws.

Default Interest Rate means 10% per annum.

Designated Owner means the individual owner of the Franchisee identified in Item 23 of Schedule 1 whom the Franchisee designates and the Franchisor approves, who is directly responsible for causing the Franchisee to fulfill its duties under this Agreement.

Disclosure Document or FDD means the document titled “Franchise Disclosure Document,” given to the Franchisee by the Franchisor as required by the U.S. Federal Trade Commission and the laws of certain U.S. states.

End Date means the date at which the Term ends.

Health and Fitness Equipment means the health and fitness Equipment that is listed in the Franchise Documents as being required or recommended for use in the ~~Body Fit Training~~[BFT](#) Franchise.

Exclusive Marketing Zone means the geographic area described in Item 4 of Schedule 1.

Franchisee means the entity described as such in Item 1 of Schedule 1, and in the event of there being more than one party means all of the parties jointly and severally, including its or their successors and assigns.

Franchise Documents means:

- (a) this Agreement;
- (b) the Manual;
- (c) the Startup Guide;
- (d) the Brand Identity and Style Guide;

- (e) the Gym Lease;
- (f) the Collateral Assignment of Gym Lease; and
- (g) any other document produced by the Franchisor from time to time that relates to the occupation of the Gym or the operation and procedure of the ~~Body Fit Training~~BFT Franchise.

Franchise Fee means the amount specified in Item 9 of Schedule 1.

Franchisor means Body Fit Training USA, Inc., a Delaware corporation, and its successors, transferees and assigns.

Franchisor Administration Fee means the fee specified in Item 21 of Schedule 1.

Gross Revenue means all payments and other revenue (excluding payments for sales taxes, tips or gratuities paid directly by customers to employees of the ~~Body Fit Training~~BFT Franchise) received by the Franchisee from any and all sources related to ownership and operation of the ~~Body Fit Training~~BFT Franchise for a relevant period. Gross Revenue includes the full value of products and services furnished to employees of the Franchisee as an incident to the respective employee's employment.

Guarantor means the person/s listed in Item 2 of Schedule 1, and their heirs, executors, administrators and assigns. At least one of the Franchisee's owners must serve as a Guarantor.

Gym means the gym premises identified in Item 3 of Schedule 1.

Gym Lease means the Franchisee's lease of the Gym, details of which are set out in Item 19 of Schedule 1.

Gym Selection Due Date means the date specified in Item 25 of Schedule 1.

Gym Selection Retention Amount means the amount specified in Item 26 of Schedule 1.

Indemnified Party has the meaning set out in Section 17.2.

Initial Training means the training described in Section 8.

Initial Training Fee means the fee set out in Item 15 of Schedule 1.

Insurance means the insurance policies specified in the Manual from time-to-time.

Intellectual Property means the:

- (a) Business Names;
- (b) Trademarks;
- (c) the ~~Body Fit Training~~BFT System;
- (d) Franchise Documents;
- (e) any other forms, documents, patents, patent applications, drawings, discoveries, inventions, improvements, trade secrets, technical data, formulae, computer programs, data bases, know-how, logos, designs, design rights, website design and content and copyright materials associated with or used in the ~~Body Fit Training~~BFT Franchise; and
- (f) any Modifications thereto.

Intellectual Property Rights means (without limitation):

- (a) patents, copyright, registered and unregistered design rights, registered and unregistered trademarks, rights in know-how and confidential information and all other intellectual and industrial property rights;
- (b) all similar or analogous rights existing under the laws of any country; and
- (c) all rights to apply for or register such rights.

IP Owner means Body Fit Training Company Pty Ltd and its affiliates.

KPI means each key performance indicator proposed by the Franchisee in the Annual Business Plan and agreed to by the Franchisor (acting reasonably) or proposed by the Franchisor in accordance with Section 15.12.

Manager means the individual named in Item 24 of Schedule 1.

Manual means the operations manuals and documents produced by the Franchisor specifying in greater detail aspects of the ~~Body Fit Training~~BFT System and the Franchisor's standards as amended from time to time.

Marketing Launch Fee means the amount set out in Item 10 of Schedule 1.

Maximum Membership means the maximum number of Members that the ~~Body Fit Training~~BFT Franchise can sustain (taking into account opening hours, local Government and planning constraints and the size and configuration of the Gym) being the number set out in Item 3 of Schedule 1.

Member means an individual who enters into a Membership Agreement with the Franchisee and includes, where the context permits, employees of Corporate Members.

Membership Agreement means an Agreement between the Franchisee and a Member in the form prescribed by the Franchisor in the Manual, subject to such changes as may be required to comply with Applicable Laws, which sets out the Member's rights and obligations as a member of the ~~Body Fit Training~~BFT Franchise.

Membership Application means the application form by which a prospective Member applies to become a Member of the ~~Body Fit Training~~BFT Franchise in the form prescribed by the Franchisor in the Manual, subject to such changes as may be required to comply with Applicable Laws.

Minimum Annual Investment means the amount set out in Item 29 of Schedule 1.

Minimum Local Area Marketing Spend means the amount per month set out in Item 11 of Schedule 1.

Minimum Qualification Requirements means the minimum qualifications prescribed in the Manual from time-to-time as those which the Designated Owner, Manager and all Trainers must have, and keep current, at all times.

Modification means all improvements, developments, additions, alterations, modification or change to the Intellectual Property.

Opening Date means the date specified in Item 25 of Schedule 1 or any other date as agreed between the Franchisor and Franchisee in writing from time to time.

Personal Information has the meaning given to it in applicable Data Protection Laws.

Privacy Policy means the privacy policy of the Franchisor as amended from time to time.

Programs means the group training programs listed under the “Programs” tab on the Website from time-to time.

Quarter means the three-month period ending September 30, December 31, March 31 and June 30.

Redecorate includes, but is not limited to:

- (a) washing down the whole of the exterior of the Gym and the interior of the Gym including all partitions and additions made to the Gym; and
- (b) treating as previously treated all internal surfaces of the Gym by painting, staining, polishing or otherwise to a specification required and approved by the Franchisor; and
- (c) replacing all carpet and/or floor tiles which in the opinion of the Franchisor are worn or damaged and in need of replacement;
- (d) refreshing or replacing the Health and Fitness Equipment as and when required in accordance with the Manual; and
- (e) any other works required pursuant to the Gym Lease.

Renewal Fee means the amount set out in Item 12 of Schedule 1.

Renewal Term means the period(s) specified in Item 7 of Schedule 1 commencing on the day after the last day of the initial Term.

Restraint Area means the largest area set out in Item 30 of Schedule 1. If that area is determined by a court or a regulatory authority to equate to an obligation that is unenforceable, illegal or void, then that area is severed and the next largest area set out in Item 30 of Schedule 1 remains in force.

Restraint Period means the Term and the period commencing on the expiration of the Term or any Renewal Term or the date of earlier termination of this Agreement and ending at the expiry of the longest period set out in Item 30 of Schedule 1. If that period is determined by a court or a regulatory authority to equate to an obligation that is unenforceable, illegal or void, then that period is severed and the next longest period set out in Item 30 of Schedule 1 remains in force.

Retention Amount means the amount listed in Item 20 of Schedule 1 or such other amount prescribed by the Franchisor, being a contribution toward the reasonable costs incurred by the Franchisor in recruiting and training the Franchisee and preparing the Franchise Documents and FDD.

Service Fee means the amount calculated by the formula set out in Item 14 of Schedule 1 and described in Section 12.5.

Schedule means the schedule annexed to this Agreement identified as Schedule 1.

Site Start Up and Support Fee means the amount specified in Item 28 in Schedule 1.

Solicit Business means to solicit, canvass or approach any person to become a Member and includes, without limitation, advertising or marketing in any form.

Special Conditions means the provisions set out in Schedule 3.

Start Date means the date of this Agreement.

Startup Guide means the site fitout, signage and co-ordination guide produced by the Franchisor specifying in greater detail the ~~Body Fit Training~~BFT System, the Health and Fitness Equipment, the Franchisor's standards and the Franchisor's fitout and signage requirements for the ~~Body Fit Training~~BFT Franchise as amended from time to time.

Term means the period commencing on the Commencement Date and continuing for the period specified in Item 6 of Schedule 1.

Trademarks mean the registered and unregistered trademarks exclusively licensed to the Franchisor set out in Item 18 of Schedule 1.

Trainer means a personal trainer employed by the Franchisee to conduct Programs at the Gym.

Transfer includes sell, assign, transfer, dispose of or otherwise create any legal or beneficial interest in or otherwise deal with the ~~Body Fit Training~~BFT Franchise.

Transfer Fee means the amount specified in Item 13 of Schedule 1.

Website means <https://bodyfittraining.com>.

1.2 Interpretation

In this Agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a Section, paragraph, schedule or annexure is to a Section or paragraph of, or schedule or annexure to, this Agreement, and a reference to this Agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **dollar** or **\$** is to United States currency;
- (f) a reference to time is to the time in the Exclusive Marketing Zone;
- (g) a reference to a party is to a party to this Agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (k) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

- (l) any agreement, representation, warranty or indemnity in favor of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (m) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Agreement or any part of it;
- (n) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day;
- (o) the ordinal position of any Section of this Agreement must be disregarded in resolving any inconsistency or apparent contradiction between any two or more Sections of this Agreement; and
- (p) duties, responsibilities, rights, or other actions or inactions attributed to the Franchisor may be undertaken by a designee of the Franchisor.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Grant of a franchise

2.1 Grant of Franchise

Subject to Sections 2.2 and 5, the Franchisor grants to the Franchisee the right to operate the ~~Body Fit Training~~BFT Franchise from the Gym in the Exclusive Marketing Zone using the ~~Body Fit Training~~BFT System for the Term, on the terms and conditions as set out in the Franchise Documents.

2.2 Exclusivity

- (a) Subject to the provisions of this Section, the right granted in Section 2.1 is exclusive and the Franchisor may not grant a similar right to other franchisees or operate a ~~Body Fit Training~~BFT Franchise itself within the Exclusive Marketing Zone, without first obtaining the prior written consent of the Franchisee.
- (b) The Franchisee acknowledges that the exclusivity granted by this Agreement is limited to the exclusive right to operate the ~~Body Fit Training~~BFT Franchise from the Gym and to market the ~~Body Fit Training~~BFT Franchise in the Exclusive Marketing Zone. For the avoidance of doubt, the Franchisor does not consent to other ~~Body Fit Training~~BFT Franchisee's marketing or operating those third-party ~~Body Fit Training~~BFT franchises in the Exclusive Marketing Zone, which the Franchisor acknowledges is consistent with all ~~Body Fit Training~~BFT franchisees.
- (c) Subject to any rights granted to the Franchisee under this Agreement or another franchise agreement between the parties, the Franchisee must not:
 - (i) operate a ~~Body Fit Training~~BFT gym other than from the Gym, except as contemplated by Section 2.4; or
 - (ii) Solicit Business outside the Exclusive Marketing Zone, except with the express prior approval of the Franchisor, which approval may be withheld in its absolute discretion and may be revoked or varied at any time by written notice effective from the date of such notice, if given.

- (d) For the avoidance of doubt, the restriction on the Franchisee that prevents it from Soliciting Business outside the Exclusive Marketing Zone in Section 2.2(c)(ii) includes local area marketing and advertising such as flier drops, business and community partnerships, signage, geo-targeting via social media and other tactical marketing and advertising. The Franchisor acknowledges that some advertising and marketing mediums through mass media, such as television, radio and internet, will extend to a wider audience outside of the Exclusive Marketing Zone, and those forms of advertising and marketing may be acceptable by the Franchisor, subject to its prior approval.
- (e) The Franchisor retains all other rights including, but not limited to, those listed below in this Section 2.2(e). For example, the Franchisor may:
 - (i) operate and license to others the right to operate ~~Body Fit Training~~BFT gyms outside the Exclusive Marketing Zone; and
 - (ii) advertise and promote the ~~Body Fit Training~~BFT system inside and outside of the Exclusive Marketing Zone; and
 - (iii) develop and establish other business systems using the Marks, or other names or marks, and grant licenses to use those systems without providing any rights to the Franchisee; and
 - (iv) purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business, and that following such activity the Franchisor may operate or license those other businesses under any names or marks regardless of the proximity to, or the competitive impact on, the ~~Body Fit Training~~BFT Franchise; and
 - (v) engage, directly or indirectly, or license other businesses to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of all forms (including electronic forms) any services and products, under the Marks, or under other names or marks, at any location, through any method of distribution other than a ~~Body Fit Training~~BFT gym, including, but not limited to, mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, the ~~Body Fit Training~~BFT Franchise; and
 - (vi) offer and sell products and services other than a ~~Body Fit Training~~BFT gym.

2.3 Changes to the Exclusive Marketing Zone

- (a) The Franchisor reserves the right to make minor changes to the Exclusive Marketing Zone at the Franchisor's sole discretion acting reasonably. The Franchisor and Franchisee acknowledge minor amendments made pursuant to this Section 2.3(a) will only be made if the exclusive marketing zone/s being impacted are able to be re-adjusted to compensate them for any lost exclusive marketing zone area using the same methodology used to create other respective exclusive marketing zones.
- (b) The Franchisor reserves the right to make minor changes to the Exclusive Marketing Zone if streets defining the Exclusive Marketing Zone are amended. The Franchisee acknowledges that it is not entitled to any compensation or damages for any loss it suffers, or may suffer, as a result of any change/s to the Exclusive Marketing Zone made in accordance with this Section 2.3(b).

- (c) The Franchisee agrees to execute all documents reasonably necessary as determined by the Franchisor to reflect any changes to the Exclusive Marketing Zone contemplated by this Section 2.3.

2.4 Additional ~~Body Fit Training~~BFT Gym

- (a) If the Franchisee forms the view that the demand for the Approved Services will sustain an additional ~~Body Fit Training~~BFT gym/s within the Exclusive Marketing Zone, then the Franchisee may make a written application to the Franchisor for consent to the establishment by the Franchisee of an additional ~~Body Fit Training~~BFT gym (**Additional Gym**) within the Exclusive Marketing Zone (**Additional Gym Application**).
- (b) The Franchisor must not unreasonably withhold its consent to the Additional Gym Application if all of the following requirements are satisfied to the reasonable satisfaction of the Franchisor:
 - (i) the Additional Gym Application contains compelling objective data in support of the application, as determined by the Franchisor in its discretion;
 - (ii) the Franchisor agrees (acting reasonably) that there is sufficient demand for the Additional Gym in the Exclusive Marketing Zone;
 - (iii) the Franchisee is not in breach of this Agreement;
 - (iv) the Franchisee demonstrates to the Franchisor's reasonable satisfaction that the Franchisee has the financial and human resources required to lease, staff and stock the Additional Gym and the skills required to manage multiple ~~Body Fit Training~~BFT gyms in accordance with the ~~Body Fit Training~~BFT System;
 - (v) the Franchisee has nominated a manager of the Additional Gym who meets Franchisor's Minimum Qualification Requirements and who has successfully completed the training required by the Franchisor;
 - (vi) the Franchisor forms the view (acting reasonably) that it is in the best interest of the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System for the Additional Gym to be opened in the Exclusive Marketing Zone;
 - (vii) the Franchisor and Franchisee negotiate (in good faith) and agree on the fees to be paid in respect of the Additional Gym to be opened in the Exclusive Marketing Zone (for example Marketing Launch Fee, Minimum Local Area Marketing Spend, training fees etc.), however for the avoidance of doubt the Franchisee acknowledges and agrees the Service Fee will be applicable in respect of both the Gym and the Additional Gym;
 - (viii) the Franchisee pays prior to its opening any fees payable in respect of the Additional Gym as may be reasonably determined by the Franchisor;
 - (ix) the Franchisor and the Franchisee signing a deed varying this Agreement and any other document reasonably required by the Franchisor to incorporate the Additional Gym; and
 - (x) the Franchisee paying the legal costs and outlays associated with the consideration, preparation, negotiation, execution and stamping of the deed or any additional documents referred to in Section 2.4(b)(ix).
- (c) The Franchisee must not open the Additional Gym unless and until the Franchisor has approved the premises from which the Additional Gym is to operate, and otherwise complies with all

conditions set out in this Agreement in respect of the opening of the Additional Gym, as if the Additional Gym were the Gym.

- (d) For the avoidance of doubt, if the Franchisee transfers or sells the ~~Body Fit Training~~BFT Franchise, as contemplated by Section 19, the Franchisee acknowledges and agrees that the Franchisor, having taken into account the initial size of the Exclusive Marketing Zone, does not agree to subdivide or otherwise amend the Exclusive Marketing Zone, and both the Gym and the Additional Gym must be assigned or transferred to the assignee.
- (e) In the event an assignee only wishes to be transferred 1 ~~Body Fit Training~~BFT gym, the Franchisee must:
 - (i) cease to operate the other ~~Body Fit Training~~BFT gym; and
 - (ii) remove from all and any vehicles, signs, hoardings, buildings and documents and any other items in possession or control of the Franchisee bearing all Trade Marks, the Business Name, trade names and logos relating to that other ~~Body Fit Training~~BFT gym.
- (f) In the event a ~~Body Fit Training~~BFT gym is not transferred to an assignee in accordance with Section 2.4(e), the Franchisee must continue to meet their obligations under the Gym Lease as may be required.

2.5 Acceptance of Franchise

The Franchisee accepts the franchise granted under this Agreement.

3. Early termination

3.1 Termination

Notwithstanding Section 3.2(b), if the Franchisee fails to locate a suitable Gym in accordance with Section 11.1, through its own fault, neglect or failure to use its reasonable efforts to locate a suitable Gym, then the Franchisor may terminate this Agreement by written notice served on the Franchisee.

3.2 Refund

- (a) If the Franchisee fails to locate a suitable Gym, without fault, neglect or failure of the Franchisee to use reasonable efforts to locate a suitable Gym in accordance with Section 11.1 (including without limitation, utilizing all resources available at the disposal of the Franchisee), then the Franchisor must refund to the Franchisee any amount of the Franchise Fee paid by the Franchisee to the Franchisor less any Retention Amount. At its sole discretion, the Franchisor may, acting reasonably extend the period of time required to comply with Section 11.1 or offer the Franchisee an alternative exclusive marketing zone to establish the Gym. Subject to:
 - (i) any extension period provided by the Franchisor to the Franchisee having been utilized; and
 - (ii) the Franchisor determining (acting reasonably) that it is not reasonably practicable for the Franchisee to accept an alternative exclusive marketing zone (if offered by the Franchisor),

the Franchisor will refund the Franchisee any amount of the Franchise Fee paid by the Franchisee to the Franchisor less any Retention Amount.

- (b) If the Franchisee fails to locate a suitable Gym for the ~~Body Fit Training~~BFT Franchise, through its own fault, neglect or failure to use its reasonable efforts to locate a Gym for the ~~Body Fit Training~~BFT Franchise, then the Franchisor must refund to the Franchisee any amount of the Franchise Fee paid by the Franchisee to the Franchisor less any Retention Amount and less the Gym Selection Retention Amount. The Franchisor may in its sole discretion acting reasonably extend the period of time allocated for the Franchisee to comply with Section 11.1.

4. Responsibility for conduct of ~~Body Fit Training~~BFT Franchise

4.1 The Franchisee's Designated Owner

The Franchisee shall appoint the Designated Owner and, subject to the provisions of this Section, at all times during the Term the Franchisee must ensure that the Designated Owner:

- (a) shall satisfy the Minimum Qualification Requirements applicable to the Designated Owner;
- (b) shall be a Guarantor;
- (c) shall have a minimum ownership interest in the Franchisee of at least fifteen percent (15%), or such other minimum ownership interest as may be designated by the Franchisor;
- (d) shall reserve and exercise ultimate authority and responsibility with respect to the management and operation of the ~~Body Fit Training~~BFT Franchise; and
- (e) shall represent and act on behalf of the Franchisee in all dealings with the Franchisor.

The Designated Owner and the Manager may be the same individual.

4.2 The Franchisee's Manager

The Franchisee shall appoint the Manager and, subject to the provisions of this Section, at all times during the Term the Franchisee must ensure that the Manager:

- (a) devotes the Manager's full time and effort to the active management and operation of the ~~Body Fit Training~~BFT Franchise; and
- (b) satisfies the Minimum Qualification Requirements applicable to the Manager.

4.3 Resignation, TPD or death of Designated Owner

- (a) If the Designated Owner:
 - (i) resigns;
 - (ii) is disabled or permanently incapacitated;
 - (iii) dies;
 - (iv) is absent from the ~~Body Fit Training~~BFT Franchise for a period in excess of 21 days (unless the Franchisor has given prior written approval of that absence); or
 - (v) ceases to have the required ownership interest in Franchisee, as designated by the Franchisor;

(vi) ceases to meet the Franchisor's Minimum Qualification Requirements;

the Franchisee must nominate an alternate Designated Owner for the Franchisor's approval as soon as possible.

(b) The Franchisor must provide its approval or disapproval of the appointment of the alternate Designated Owner within fourteen (14) days of receiving the request.

(c) If:

(i) the Franchisee does not nominate a new Designated Owner as required by Section 4.4(a); or

(ii) the Franchisor, within the Franchisor's reasonable discretion, does not approve any nominee for the position of new Designated Owner put forward by the Franchisee in accordance with Section 4.4(a);

within 30 days of:

(iii) the Designated Owner's resignation date, if the Designated Owner has resigned; or

(iv) in any other case, the latest date that the Designated Owner was in attendance carrying out the Designated Owner's duties in the ~~Body Fit Training~~[BFT](#) Franchise;

the Franchisor may, at the Franchisee's cost, appoint another person to serve as an interim Designated Owner on terms that the Franchisor considers necessary or appropriate in the Franchisor's sole discretion. The interim Designated Owner shall serve only until the Franchisee identifies a new Designated Owner of whom the Franchisor approves.

(d) If no replacement Designated Owner is appointed within 40 days of:

(i) the Designated Owner's resignation date, if the Designated Owner has resigned; or

(ii) in any other case, the latest date that the Designated Owner was in attendance carrying out the Designated Owner's duties in the ~~Body Fit Training~~[BFT](#) Franchise, or the date on which the Designated Owner last satisfied the Franchisor's Minimum Qualification Requirements;

then the Franchisor may determine that non-appointment as a breach by the Franchisee of this Agreement for which the remedies described in Section 20 may be exercised.

(e) Within 30 days of the alternate Designated Owner's appointment and approval by the Franchisor, the alternate Designated Owner must complete the Initial Training at the Franchisee's cost. The Franchisee must pay to the Franchisor the Initial Training Fee or Additional Training Fee (as the case may be) as required for each alternate Designated Owner.

4.4 Resignation, TPD or death of Manager

(a) If the Manager:

(i) resigns;

(ii) is disabled or permanently incapacitated;

(iii) dies;

- (iv) is absent from the ~~Body Fit Training~~[BFT](#) Franchise for a period in excess of 21 days (unless the Franchisor has given prior written approval of that absence);
- (v) ceases to meet the Franchisor's Minimum Qualification Requirements;

the Franchisee must nominate an alternate Manager for the Franchisor's approval as soon as possible.

- (b) The Franchisor must provide its approval or disapproval of the appointment of the alternate Manager within fourteen (14) days of receiving the request.
- (c) If:
 - (i) the Franchisee does not nominate a new Manager as required by Section 4.4(a); or
 - (ii) the Franchisor, within the Franchisor's reasonable discretion, does not approve any nominee for the position of new Manager put forward by the Franchisee in accordance with Section 4.4(a);

within 30 days of:

- (iii) the Manager's resignation date, if the Manager has resigned; or
- (iv) in any other case, the latest date that the Manager was in attendance carrying out the Manager's duties in the ~~Body Fit Training~~[BFT](#) Franchise;

the Franchisor may, at the Franchisee's cost, appoint another person to serve as an interim Manager on terms that the Franchisor considers necessary or appropriate in the Franchisor's sole discretion, who shall serve as the Manager until the Franchisee identifies a new Manager of whom the Franchisor approves.

- (d) If no replacement Manager is appointed within 40 days of:
 - (i) the Manager's resignation date, if the Manager has resigned; or
 - (ii) in any other case, the latest date that the Manager was in attendance carrying out the Manager's duties in the ~~Body Fit Training~~[BFT](#) Franchise, or the date on which the Manager last satisfied the Franchisor's Minimum Qualification Requirements;

then the Franchisor may determine that non-appointment as a breach by the Franchisee of this Agreement for which the remedies described in Section 20 may be exercised.

- (e) Within 30 days of the alternate Manager's appointment and approval by the Franchisor, the alternate Manager must complete the Initial Training at the Franchisee's cost. The Franchisee must pay to the Franchisor the Initial Training Fee or Additional Training Fee (as the case may be) as required for each alternate Manager.

5. Preconditions

5.1 Franchisee warranties

As at the Start Date, the Franchisee warrants to the Franchisor that:

- (a) the Guarantors are the sole directors and shareholders of the Franchisee and, subject to Section 28.10, that no other person (other than those approved by the Franchisor in writing) has any legal or beneficial interest in, or security interest over the assets of the Franchisee;
- (b) all information provided to the Franchisor for consideration by the Franchisor in connection with the Franchisee's application for this ~~Body Fit Training~~BFT Franchise is true and correct and not misleading in any material particular and that no relevant information has been excluded; and
- (c) the Franchisee has disclosed to the Franchisor all facts and things concerning the Franchisee and the Guarantors, including their financial position and past business history, which could reasonably be considered relevant to the Franchisor's decision to grant the franchise to the Franchisee.

5.2 Conditions precedent

- (a) The Franchisee must pay the Franchise Fee to the Franchisor on signing of this Agreement in accordance with Section 12.1.
- (b) Prior to the Commencement Date the Franchisee must:
 - (i) properly execute and deliver to the Franchisor all of the Franchise Documents;
 - (ii) satisfactorily complete any Initial Training program as specified in Section 8 of this Agreement as required by the Franchisor;
 - (iii) do everything necessary to obtain occupancy of the Gym for the Term in accordance with the requirements of Section 11.3;
 - (iv) properly execute the Gym Lease;
 - (v) provide any guarantee or other security required to be provided by the Franchisee under the Gym Lease and otherwise comply with all the preliminary requirements of the Gym Lease;
 - (vi) obtain all necessary permits, licenses and insurances to enable the Franchisee to properly operate the ~~Body Fit Training~~BFT Franchise from the Gym in accordance with this Agreement and Applicable Laws; and
 - (vii) comply with any commencement conditions set out in the Franchise Documents.

5.3 Refusal to grant franchise

- (a) The Franchisor will be entitled to refuse to grant the franchise or to terminate the franchise if it has already been granted, by written notice to the Franchisee effective immediately if there has been any failure to comply with any of the conditions precedent described in Section 5.2.
- (b) If the Franchisor terminates this Agreement under Section 5.3(a), the Franchisor will refund the Franchise Fee (less the Retention Amount) and this Agreement will be at an end.

5.4 Failure to satisfy conditions precedent

- (a) If the Commencement Date is unknown at the Start Date, the Franchisee must satisfy the conditions precedent in Section 5.2 relating to the Gym Lease within 4 months of the Start Date.
- (b) The Franchisor may extend the time frame in Section 5.4(a) in its absolute discretion.

- (c) If the Franchisee fails to comply with Section 5.4(a) or the Franchisor does not grant an extension of time in accordance with Section 5.4(b), the Franchisor will refund the Franchise Fee (less the Retention Amount) and this Agreement will be at an end.

6. Term

- (a) This Agreement will commence on the Start Date and end on the End Date unless terminated earlier in accordance with this Agreement.
- (b) The Term will commence on the Commencement Date and end on the End Date unless earlier terminated in accordance with this Agreement.

7. Renewal

7.1 Application to Renew

Within nine (9) months but not less than seven (7) months before the End Date, the Franchisee must notify the Franchisor in writing if it desires to renew the franchise for a Renewal Term.

7.2 Right of Renewal

- (a) Any renewal of the ~~Body Fit Training~~BFT Franchise for a Renewal Term is subject to the following conditions, all of which must be satisfied prior to or simultaneously with commencement of the Renewal Term:
 - (i) the Franchisee is not in default under this Agreement or any other Franchise Document;
 - (ii) the Franchisee has complied with all the terms and conditions of this Agreement and any other Franchise Document throughout the Term;
 - (iii) all necessary permits and licenses to enable the Franchisee to continue to operate the ~~Body Fit Training~~BFT Franchise from the Gym in accordance with this Agreement and Applicable Laws have been obtained;
 - (iv) the Franchisee has Redecorated or has satisfied the Franchisor that it will Redecorate the Gym in accordance with Section 11.8;
 - (v) the Franchisee executes all necessary documents and delivers all necessary notices in order to obtain a lease of the Gym for the Renewal Term;
 - (vi) the Franchisee and the Guarantors execute the Franchisor's then current form of release in respect of the expired Term;
 - (vii) the Franchisee pays the Renewal Fee and the costs of preparing the documents referred to in Section 7.2(a)(x);
 - (viii) the Designated Owner, the Manager and all Trainers meet the Minimum Qualification Requirements;
 - (ix) the Franchisee and the Guarantors continue to comply with any financial, solvency, asset backing or other preconditions to the grant of a franchise imposed upon existing or new ~~Body Fit Training~~BFT Franchisees at the time of the renewal; and

- (x) the Franchisee, the Guarantors and any related persons or companies designated by the Franchisor (acting reasonably) execute the Franchisor's then current franchise agreement and any guarantees, security and documentation reasonably required by the Franchisor.
- (b) Despite Section 7.2(a), the Franchisor will only renew this Agreement if the Franchisee can obtain a Gym Lease for the Gym, or another Gym approved by the Franchisor, for the Renewal Term.

7.3 Grounds for Refusal or Imposition of Special Conditions

- (a) The Franchisor may, with good cause, refuse to renew this Agreement or impose special conditions, in addition to those specified hereinabove, on the granting of the Renewal Term.
- (b) If the Franchisor refuses to grant the Renewal Term or imposes any special conditions the Franchisor must give:
 - (i) written details of the nature of the grounds of refusal or of the Franchisor's reasons for imposing the special conditions;
 - (ii) if special conditions are to apply, the Franchisor must specify the time period within which the special conditions must be satisfied.
- (c) For the purposes of Section 7.3(a) good cause includes by way of illustration, but without limitation, material or persistent instances of any of the following:
 - (i) the failure by the Franchisee through act or omission to achieve and maintain one or more KPI and/or those standards reasonably or usually required by the Franchisor;
 - (ii) repeated late payment of sums due by the Franchisee to the Franchisor;
 - (iii) failure to devote sufficient time to the Franchise;
 - (iv) poor relationships with Members or other ~~Body Fit Training~~[BFT](#) Franchisees;
 - (v) poor relationship with ~~Body Fit Training~~[BFT](#) HQ;
 - (vi) failure to promote the ~~Body Fit Training~~[BFT](#) Franchise;
 - (vii) serious and/or frequent workplace health and safety or hygiene issues;
 - (viii) repeated breach of one or more terms of this Agreement which may have been grounds for termination of this Agreement if repeated or if not cured within any time period allowed;
 - (ix) failure by the Franchisee to adhere to the Manual;
 - (x) failure by the Franchisee to comply with the Gym Lease; or
 - (xi) the Franchisee's failure of any quality assurance or Mystery Member program operated by the Franchisor from time to time, as outlined in the Manual.

7.4 Notice of Consent to Renewal

Regardless of whether the Franchisor receives a request from the Franchisee under Section 7.1 to renew the franchise for the Renewal Term, the Franchisor must notify the Franchisee in writing no later than six (6) months before the End Date of whether it intends to renew the franchise for the next Renewal Term.

7.5 Failure to satisfy requirements

Where the Franchisor provides written notice to the Franchisee under Section 7.4 that it intends to renew the franchise for the next Renewal Term but the Franchisee fails to satisfy the requirements in Section 7.2 prior to the commencement of that Renewal Term, the Franchisor may in its absolute discretion revoke the grant of renewal by providing written notice to the Franchisee outlining why the grant of renewal has been revoked.

7.6 Holding Over

If the Franchisee continues to operate the ~~Body-Fit Training~~[BFT](#) Franchise after the End Date or after the end of any Renewal Term with the approval or acquiescence of the Franchisor, such continuation will be strictly on a month to month basis and under the terms and conditions of this Agreement.

7.7 Gym Lease

To remove any doubt, nothing contained in this Section 7 replaces or removes any obligation of the Franchisee contained in any Gym Lease to give notices in respect of a term or the renewal of that term for the Gym Lease.

8. Training, support and development

8.1 Initial Training

- (a) The Franchisee acknowledges that its Designated Owner, Manager and staff must be knowledgeable regarding the operation of ~~Body-Fit Training~~[BFT](#) Franchises, including the delivery of services and the provision of customer service in accordance with the brand standards established by Franchisor, which may be modified by Franchisor from time to time.
- (b) The Manager must attend a minimum of 5 days training provided by the Franchisor in:
 - (i) the ~~Body-Fit Training~~[BFT](#) System and the know-how necessary to conduct the ~~Body-Fit Training~~[BFT](#) Franchise (including training in systems, CRM, sales and finance, the use of the heart rate monitors and software systems, physical training and competencies and strength and conditioning standards) which will be held at a location of the Franchisor's choosing in California, or such other location as the Franchisor may designate upon reasonable advance notice to the Franchisee; and
 - (ii) onsite training at the Gym, or at ~~Body-Fit Training~~[BFT](#) HQ, which will be conducted prior to the opening of the ~~Body-Fit Training~~[BFT](#) Franchise and during the first days of business of the ~~Body-Fit Training~~[BFT](#) Franchise.
- (c) The Franchisee must pay all travelling, living and other expenses and costs that the Designated Owner and the Manager incur in connection with attending the Initial Training and/or any other training that the Designated Owner, the Manager and other staff of the Franchisee is required to attend.

The Franchisor may also require that the Designated Owner attend the sales, marketing and operations components of the Initial Training, or other components of the Initial Training as may be designated by the Franchisor, or another training program designated by the Franchisor, with a timeframe designated by the Franchisor.

8.2 Minimum Qualification Requirements

The Franchisee must ensure that the Designated Owner, the Manager and each Trainer obtain the Minimum Qualification Requirements that apply to them within the timeframes set out in the Manual.

8.3 Continuing professional development

The Franchisee must ensure that the Designated Owner, the Manager and each Trainer comply with the provisions of the Manual with respect to continuing professional development and training.

8.4 Additional Training

- (a) The Franchisor must provide additional training as the Franchisee may request from time-to-time. The Franchisee must give the Franchisor reasonable notice should they require further training. The Franchisee must pay the Additional Training Fee for the provision of these services.
- (b) The Designated Owner, the Manager, and the Franchisee's staff must undertake and complete any additional training reasonably required by the Franchisor. The Franchisee must pay the Additional Training Fee for any such training, and the Franchisee will be responsible for all accommodation, food, travel, insurance and any other costs incurred by the Designated Owner, and/or the Manager, and/or the Franchisee's staff for attending the training.
- (c) The Franchisor may provide seminar training sessions to the Designated Owner, the Manager and other staff of the Franchisee at the Franchisor's headquarters as the Franchisor may decide from time-to-time. The Franchisee will be responsible for all accommodation, food, travel, insurance and any other costs incurred by the Designated Owner, and/or the Manager, and/or the Franchisee's staff for attending the seminar training session.
- (d) The Franchisee must pay the Additional Training Fee, if the Franchisee requests the Franchisor to provide any training in addition to the training conducted in accordance with Section 8.1 or the on-going support provided in accordance with Section 8.5(a)(iv).

8.5 On-going support

- (a) The Franchisor may provide ongoing support to the Franchisee by providing:
 - (i) technical and operational advice and assistance when requested;
 - (ii) regular communications concerning matters of relevance to the ~~Body Fit Training~~[BFT](#) Franchise;
 - (iii) on-site visits by field representatives; and
 - (iv) subject to Section 8.4, access to ongoing training for the Franchisee.

9. Products and Services

9.1 ~~Body Fit Training~~BFT Products

- (a) The Franchisee must stock the range and quantity of ~~Body Fit Training~~BFT Products specified in the Manual from time-to-time. The Franchisor reserves the right to add to or remove products from the list of ~~Body Fit Training~~BFT Products required to be stocked by the Franchisee.
- (b) The Franchisee must purchase all ~~Body Fit Training~~BFT Products from either the Franchisor or a supplier approved by the Franchisor and must pay for all ~~Body Fit Training~~BFT Products strictly in accordance with the Franchisor's or the Approved Supplier's terms of trade (as the case may be).

9.2 Approved Promotional Products

- (a) The Franchisee will only sell Approved Promotional Products in the ~~Body Fit Training~~BFT Franchise. The Franchisor reserves the right to add to or remove products from the list of Approved Promotional Products.
- (b) The Franchisee will only purchase Approved Promotional Products from an Approved Supplier.
- (c) The Franchisee must ensure that it pays for all Approved Promotional Products in accordance with the supplier's usual trading terms if the Products are purchased from any other approved supplier.

9.3 Inventory of Approved Promotional Products

The Franchisee agrees that it will at all times maintain an inventory of Approved Promotional Products which:

- (a) has an adequate range; and
- (b) is of an adequate quantity;

to fulfil the public demand for the Approved Promotional Products from the ~~Body Fit Training~~BFT Franchise.

9.4 Approved Services

The Franchisee will only offer and provide Approved Services in the ~~Body Fit Training~~BFT Franchise. The Franchisee must only provide Approved Services from the Gym (for example, the Franchisee must not provide personal training services in public or private areas of the Gym). The Franchisor reserves the right to add to or remove services from the list of Approved Services, provided that the Franchisor has first consulted with the Franchisee and has given the Franchisee a reasonable period of time to implement the changes.

9.5 Health and Fitness Equipment

- (a) The Franchisee must only use Health and Fitness Equipment in the ~~Body Fit Training~~BFT Franchise that has been approved by the Franchisor.
- (b) In order to preserve the integrity and consistency of the ~~Body Fit Training~~BFT System, the Franchisor requires that the Franchisee purchase the Health and Fitness Equipment from an Approved Supplier.

- (c) The Franchisee must use its best efforts to ensure that the Health and Fitness Equipment used by the Franchisee in the ~~Body Fit Training~~BFT Franchise:
- (i) is maintained to the Franchisor's specifications as described in the Franchise Documents and in accordance with any reasonable directions given by the Franchisor from time to time;
 - (ii) complies with the Franchise Documents and ~~Body Fit Training~~BFT System;
 - (iii) complies with any safety or other reasonable requirements of the manufacturer of the Health and Fitness Equipment;
 - (iv) complies with any relevant federal, state or local standards which apply to the Health and Fitness Equipment;
 - (v) is installed in compliance with any relevant provisions of the Gym Lease and any relevant standards which apply to the installation of the Health and Fitness Equipment;
 - (vi) complies with any reasonable requirements of the Franchisor, including any requirements in order to maintain safety, hygiene and other standards of the Franchisor;
 - (vii) is used in a manner that complies with any requirement of the Franchisee's insurer;
 - (viii) is clean;
 - (ix) is in full working order; and
 - (x) is safe for use.
- (d) The Franchisee must undertake regular inspections of the Health and Fitness Equipment in accordance with the procedures set out in the Manual to ensure that it complies with Section 9.5(c) and promptly attend to repairing any damaged or unsafe Health and Fitness Equipment.

9.6 Pricing

- (a) The Franchisor may, based on what the Franchisor considers to be good business practice, make the following recommendations to the Franchisee:
- (i) recommend retail prices at which the Franchisee will sell ~~Body Fit Training~~BFT Products;
 - (ii) recommend retail prices at which the Franchisee will offer the various types of Memberships, trial and casual use arrangements and specify minimum prices for those Memberships and arrangements;
 - (iii) give the Franchisee other guidance in relation to the retail pricing of any other products or services.
- (b) The Franchisor may also conduct promotional programs and other advertising activities for ~~Body Fit Training~~BFT Products, Memberships and trial and casual use arrangements, and require that the Franchisee participate in such promotional programs and advertising activities.
- (c) For clarity, the Franchisee does not have to accept the Franchisor's recommended retail pricing referred to in Section 9.6(a) and may charge the price that the Franchisee considers to be appropriate for the ~~Body Fit Training~~BFT Franchise.

9.7 Contra deals

The Franchisee must not sell any ~~Body Fit Training~~[BFT](#) Products or Approved Promotional Products or provide any Approved Services for non-monetary consideration.

10. Members and Memberships

10.1 Reciprocation

The Franchisee acknowledges that co-operation between and among ~~Body Fit Training~~[BFT](#) Franchisees is an integral part of the ~~Body Fit Training~~[BFT](#) System and that it is critical that ~~Body Fit Training~~[BFT](#) Members receive a seamless and consistent level of Member service from all ~~Body Fit Training~~[BFT](#) Franchisees and Gyms. The Franchisee acknowledges and agrees that as part of ~~Body Fit Training~~[BFT](#) Members' weekly membership fee, Members are entitled to attend any ~~Body Fit Training~~[BFT](#) gym at no additional cost.

10.2 Transfer of Members

In circumstances where a ~~Body Fit Training~~[BFT](#) Member attends a ~~Body Fit Training~~[BFT](#) gym other than the ~~Body Fit Training~~[BFT](#) gym that they submitted their Membership Application to on a regular basis and over an extended period of time (as determined by the Franchisor utilizing the ~~Body Fit Training~~[BFT](#) booking software and acting reasonably), the Franchisee acknowledges and agrees that all future membership fees payable by that ~~Body Fit Training~~[BFT](#) Member will be transferred to the ~~Body Fit Training~~[BFT](#) Franchisee in respect of the gym that the Member is attending on a more regular basis.

10.3 Membership Applications and Agreements

The Franchisee must use the form of Membership Application and Membership Agreement prescribed by the Franchisor from time-to-time, subject to any changes that are required by Applicable Laws and approved in writing by the Franchisor.

10.4 Database of Members

Property in any database or list of Members will at all times be vested in the Franchisor, but the Franchisee may have access to such information for the sole purpose of conducting the ~~Body Fit Training~~[BFT](#) Franchise.

10.5 Maximum Membership

The Franchisee must ensure that the number of Members does not exceed the Maximum Membership.

10.6 Complaints by Members

The Franchisee must comply with the provisions of the Manual and the Membership Agreements that deal with the resolution of complaints.

10.7 Suspension or expulsion of Members

The Franchisee must enforce those provisions of Membership Agreements that deal with suspension or expulsion of a Member in a fair, reasonable and consistent way and so as to minimize any risk of damage to the reputation or goodwill of the Franchisee, the ~~Body Fit Training~~[BFT](#) Franchise or the ~~Body Fit Training~~[BFT](#) System.

11. Gym

11.1 Selection

- (a) The Franchisee will only conduct the ~~Body Fit Training~~BFT Franchise from the Gym.
- (b) The Gym must be located in the Exclusive Marketing Zone.
- (c) The Franchisee acknowledges that:
 - (i) the Franchisee is responsible for the selection of the Gym;
 - (ii) the Franchisee is responsible for the negotiation of the Gym Lease;
 - (iii) the Franchisee must obtain the written approval of the Franchisor to the selection of the Gym;
 - (iv) the Franchisee must select the Gym by the Gym Selection Due Date; and
 - (v) the Franchisee must use its best efforts to ensure that the ~~Body Fit Training~~BFT Franchise is opened to the public within six (6) months from the Start Date.
- (d) Notwithstanding Section 11.1(c), the Franchisee warrants to the Franchisor that the Franchisee has made its own investigations and come to its own decision as to the suitability of the Gym, including the location of the Gym.
- (e) If the Franchisee has not yet located a site for the Gym as of the Start Date, then the Franchisee shall, at its sole expense on or before the Gym Selection Due Date, acquire possession (by purchase or lease) of a location for the Gym at a site approved by the Franchisor within the Exclusive Marketing Zone. Upon approval of the Gym's location, the parties shall execute an amendment of Schedule 1 confirming such location, the Commencement Date and the particulars of the Gym Lease in Items 3, 5 and 19, respectively, of Schedule 1.

11.2 Use

The Franchisee is responsible for and must obtain all development and use approvals required to lawfully conduct the ~~Body Fit Training~~BFT Franchise from the Gym.

11.3 Gym Lease

- (a) If the Gym is to be leased, the Franchisee must lease the Gym in its own name. Neither the Franchisor, nor any of its Affiliates, directors, officers or shareholders will provide any security for the performance of the Franchisee's obligations under the Gym Lease.
- (b) The Gym Lease must contain such terms as are reasonably required by the Franchisor to facilitate the Franchisor having the option to take an assignment of the Gym Lease in the event that this Agreement is terminated or expires.
- (c) If requested by the Franchisor, the Franchisee must sign a Collateral Assignment of Gym Lease and procure the execution of that document by the landlord of the Gym.

11.4 Compliance with Gym Lease

- (a) The Franchisee must perform its obligations under the Gym Lease in order to perform its obligations under this Agreement.

- (b) A breach of the Gym Lease by the Franchisee will constitute a breach of this Agreement.
- (c) If the Franchisee breaches or fails to comply with the Gym Lease, the Franchisee irrevocably appoints the Franchisor as its attorney to do anything required to be done by the Franchisee in relation to the Gym Lease which the Franchisee has not done or not done properly or promptly. The Franchisee must pay the Franchisor's costs of doing anything the Franchisor does pursuant to this Section.

11.5 The Franchisee's obligation to notify

The Franchisee must:

- (a) notify the Franchisor immediately upon becoming aware of any breach or default by the Franchisee in relation to the Gym Lease which gives rise to, or which, if not remedied, would give rise to, a right for a party to terminate the Gym Lease;
- (b) immediately provide to the Franchisor copies of any default notices provided by the lessor of the Gym to the Franchisee in relation to the Gym;
- (c) notify the Franchisor immediately upon becoming aware that the lessor of the Gym or the Franchisee intends or may intend to terminate the Gym Lease; and
- (d) if the Gym Lease contains an option to renew and the Franchisee does not intend to exercise that option, notify the Franchisor of this intention at least 60 days prior to date by which the option must be exercised by the Franchisee.

11.6 Use of Gym

The Franchisee must not, without the prior written consent of the Franchisor:

- (a) conduct the ~~Body Fit Training~~[BFT](#) Franchise, or any part thereof, from any location other than the Gym;
- (b) relocate or substantially change the size or layout of the Gym; or
- (c) vary or take a new lease, license or other right to occupy the Gym in the name of the Franchisee or any person related to or associated with the Franchisee without the prior consent of the Franchisor.

11.7 Fitout

- (a) The Franchisee will, at the Franchisee's cost, and subject to the landlord's consent, procure the preparation and outfitting of the Gym with the Health and Fitness Equipment, fixtures, fittings and signage necessary to bring the Gym up to the standard specified in the Manual including flooring, painting, electrical and partitioning (**Fitout**).
- (b) All work carried out under Section 11.7(a) must be carried out in accordance with the Startup Guide and the Brand Identity and Style Guide and must be approved by the Franchisor.
- (c) The Franchisee must maintain the Gym to the standard specified in the Manual from time-to-time.

11.8 Upgrading the Gym

- (a) In order to maintain the standards and the professional image of the ~~Body Fit Training~~[BFT](#) System and to continue to deliver to Members a prompt efficient service, the Franchisee must

unless otherwise agreed by the Franchisor in writing Redecorate the Gym to the format current at the time of redecoration:

- (i) five years from the Commencement Date; or
- (ii) prior to the commencement of any Renewal Term,

whichever is earlier.

- (b) The Redecoration will be undertaken and performed by the Franchisee at the Franchisee's own expense.
- (c) The Franchisee must also comply with the Franchisor's directions with respect to the completion of maintenance and cosmetic works and repairs to the Gym.

11.9 Relocation

If any of the following events occur, the Franchisee may, with the Franchisor's consent, elect to relocate the Gym subject to the provisions of Section 11.10:

- (a) if the Gym is rendered unusable by fire, storm, act of God or other cause beyond the Franchisee's control;
- (b) if the Gym is acquired by the proper exercise of the power of eminent domain by any governmental or statutory authority;
- (c) if the Franchisee's possession of the Gym is lost through no fault of the Franchisee;
- (d) if, in the Franchisee's judgment, there is a material change in character of the Gym, or the surrounding area that is sufficiently detrimental to the potential of the ~~Body Fit Training~~[BFT](#) Franchise to warrant relocation; or
- (e) if the term of the Gym Lease (including any renewal term) expires prior to the Term of this Agreement (including any corresponding Renewal Term).

11.10 Procedure for relocation

- (a) Where any one or more of the events referred to in Section 11.9 occurs, the Franchisee will use its best efforts to:
 - (i) find an alternative Gym acceptable to the Franchisee and the Franchisor; and
 - (ii) negotiate a lease of the replacement Gym which includes the provisions referred to in Section 11.3(b).
- (b) The Franchisee must pay all costs incurred by either party in any relocation including all costs associated with establishing the ~~Body Fit Training~~[BFT](#) Franchise at the new Gym.
- (c) If for any reason a suitable replacement Gym cannot be found within a reasonable time after the occurrence of an event referred to in Section 11.9, either party may terminate this Agreement.
- (d) During the period between the occurrence of an event in Section 11.9 and the commencement of operations in the new Gym (**Dormant Period**), the terms and conditions of this Agreement will continue to apply, but both parties must take into account that the ~~Body Fit Training~~[BFT](#)

Franchise will not be operating during the Dormant Period prior to any attempt they may make to rely on the terms of the Agreement.

- (e) Nothing in this Section 11.10 may be construed to imply or present an inference that the Franchisor has an obligation to approve any Gym as a replacement Gym after the occurrence of any event specified in Section 11.9.

12. Payments and financial management

12.1 Franchise Fee

The Franchisee must pay to the Franchisor the Franchise Fee on signing of this Agreement.

12.2 Initial Training Fee

In consideration for the Initial Training to be provided by the Franchisor to the Designated Owner and/or Manager the Franchisee must pay to the Franchisor the Initial Training Fee prior to commencement of the Initial Training.

12.3 Transfer Fee

If the Franchisee transfers the ~~Body-Fit-Training~~[BFT](#) Franchise to another party under Section 19.2, the Franchisee must pay the Franchisor the Transfer Fee upon closing of the sale between the Franchisee and the third party.

12.4 Local Marketing

- (a) In consideration for the time, cost and expense to be incurred by the Franchisor in marketing the launch of the ~~Body-Fit-Training~~[BFT](#) Franchise, the Franchisee will pay the Marketing Launch Fee to the Franchisor (or a third-party marketing agency designated or approved by the Franchisor) at least one (1) month prior to the Commencement Date.
- (b) The Franchisee must spend an amount at least equal to the Minimum Local Area Marketing Spend on local area marketing in the Exclusive Marketing Zone that has been approved by the Franchisor.
- (c) If requested by the Franchisor, the Franchisee must produce evidence of the amount expended by the Franchisee on any local area marketing in any period.

12.5 Service Fee

- (a) In consideration of:
 - (i) the grant of this Franchise;
 - (ii) the ongoing right of the Franchisee to use the ~~Body-Fit-Training~~[BFT](#) System in accordance with this Agreement; and
 - (iii) the services to be provided by the Franchisor,the Franchisee will pay to the Franchisor the Service Fee.
- (b) The Service Fee must be paid each calendar month (or part month) from the earlier of:

- (i) the Opening Date;
- (ii) six (6) months from the date of this Agreement.
- (c) If the Franchisee has used all reasonable efforts to have the Gym in a position suitable for operation but has failed to be in such a position within six (6) months from the date of this Agreement, the Franchisor (at its discretion acting reasonably) may waive the Service Fee for any period up until the Opening Date. To protect the Franchisor's legitimate business interest and for the avoidance of doubt, the Franchisor may choose not to waive the Service Fee from the date it is payable pursuant to clause 12.5(b).
- (d) The Franchisor will provide an invoice for the Service Fee to the Franchisee within 5 days after the end of each calendar month.
- (e) The Franchisee will pay the Service Fee for each calendar month by the 10th day of each month.

12.6 Additional Training Fee

If the Franchisee requires additional training beyond the Initial Training then the Franchisee must pay the Franchisor the Additional Training Fee within 14 days of receiving an invoice from the Franchisor.

12.7 Site Start Up and Support Fee

In consideration for any additional (beyond what would reasonably be expected and allocated) time, costs and expenses expended by the Franchisor in:

- (a) assisting and supporting the Franchisee with the selection of the Gym and the set-up and launch of the Gym; and
- (b) supervising or procuring the supervision of the Fitout, the installation of the Health and Fitness Equipment in the Gym and the general establishment of the ~~Body Fit Training~~[BFT](#) Franchise at the Gym,

the Franchisee must pay to the Franchisor the Site Start Up and Support Fee.

12.8 Renewal Fee

The Franchisee must pay the Renewal Fee in accordance with Section 7.2(a)(vii).

12.9 Franchisor Administration Fee

In circumstances where:

- (a) the Franchisor has expended time, cost and expense on any complaint, issue or other matters arising in relation to the Franchisee's compliance with any Applicable Laws, the Manual or with any of the terms of this Agreement; or
- (b) at the Franchisee's request, the Franchisor provides to the Franchisee:
 - (i) bookkeeping set up or support;
 - (ii) local area marketing support; or
 - (iii) other support,

in consideration for the time, cost and expense expended by the Franchisor and upon receipt of an invoice from the Franchisor, the Franchisee must pay to the Franchisor the Franchisor Administration Fee.

12.10 Annual Conference Fee

- (a) In consideration for the time, cost and expenses incurred by the Franchisor in arranging and hosting the Annual Conference and for providing the Annual Conference Attendees with:
 - (i) two nights' accommodation (single room, twin share (if required)) at a premise of the Franchisor's choosing;
 - (ii) limited food and drinks; and
 - (iii) any other item/s elected to be provided by the Franchisor in its sole discretion,the Franchisee must pay to the Franchisor the non-refundable Annual Conference Fee prior to each Annual Conference in the following manner:
 - (iv) by equal monthly instalments (as prescribed by the Franchisor) commencing from the Start Date; and
 - (v) any amount of the Annual Conference Fee not paid under clause 12.10(a)(iv) prior to the date of the Annual Conference, within 7 days of receiving an invoice from the Franchisor.
- (b) The Franchisee is solely responsible for any additional costs beyond those listed in clause 12.10(a) associated with the Annual Conference Attendees attending the Annual Conference.

12.11 Multiple franchise agreements

If the Franchisee owes the Franchisor any amounts under this Agreement, the Franchisor may recover that amount from other ~~Body Fit Training~~[BFT](#) franchises operated by the Franchisee, an Affiliate of the Franchisee or a trust, joint venture or partnership in which the Franchisee has an interest.

12.12 Direct debit authority

The Franchisee:

- (a) authorizes the Franchisor to deduct the Service Fee and any other ongoing fees from the Franchisee's designated bank account; and
- (b) must provide any information reasonably requested by the Franchisor and sign all documents necessary to enable the Franchisor to debit those amounts from the Franchisee's nominated bank account.

12.13 Method of payment

All payments made by the Franchisee to the Franchisor under the Franchise Documents will be by either:

- (a) direct debit; or
- (b) direct bank electronic transfer;

at the Franchisor's discretion, unless otherwise specified in this Agreement.

12.14 The Franchisee may not withhold payments due

The Franchisee agrees that it will not and does not have the right to withhold any payment or payments of any amounts due under this Agreement on the grounds of a set-off based on:

- (a) any alleged non-performance by the Franchisor of any of its obligations; or
- (b) any other claim the Franchisee wishes to make against the Franchisor.

12.15 Taxes, fees and interest

The Franchisee must:

- (a) punctually pay all rates, taxes, duties, fees or other amounts levied or assessed or to be levied or assessed by any government, semi-governmental or regulatory authority in respect of the ~~Body Fit Training~~BFT Franchise;
- (b) pay to the Franchisor when due the amount of all sales, use and similar taxes imposed upon or required to be collected or paid on account of goods for services furnished to the franchisee by the Franchisor or its Affiliates, subject to applicable resale and other exemptions for such taxes;
- (c) pay all moneys, fees or levies owing to the Franchisor as and when due under this Agreement; and
- (d) pay on demand by the Franchisor interest at the Default Interest Rate on any moneys not received by the Franchisor by the relevant due date for payment.

12.16 Inspection and Audit

- (a) The Franchisor or its authorized representatives may inspect and/or conduct an audit of the ~~Body Fit Training~~BFT Franchise, the financial statements, reports and Accounting Records of the ~~Body Fit Training~~BFT Franchise, both in hardcopy files and electronic devices (including online accounts and records) to ensure compliance with the Franchise Documents.
- (b) The Franchisor or its representative must conduct the inspection and audit under Section 12.16(a):
 - (i) during Business Hours;
 - (ii) with minimal interruption to the ~~Body Fit Training~~BFT Franchise;
 - (iii) on at least seven (7) days' notice.
- (c) The Franchisee will:
 - (i) fully cooperate with all such inspections conducted under Section 12.16(a);
 - (ii) provide all information and explanations reasonably requested, including answers to direct questions; and
 - (iii) provide full and free access to the ~~Body Fit Training~~BFT Franchise and the Accounting Records of the ~~Body Fit Training~~BFT Franchise (including access to electronic devices, software and online accounts and records).

Any audit or inspection conducted under Section 12.16(a) will be at the cost of the Franchisor, unless the inspection or audit discloses any non-compliance with any term of this Agreement, in which case the cost of the inspection and audit will be paid by the Franchisee.

- (d) The Franchisor will provide the Franchisee with a copy of any report produced as a result of the audit conducted under this Section within 21 days after the audit has been concluded.

12.17 Record Keeping

- (a) The Franchisee must honestly and accurately complete all Accounting Records at regular intervals in accordance with the procedures described in the Franchise Documents. The Accounting Records must incorporate the standard set of accounts specified by the Franchisor in the Manual.
- (b) The Franchisee will maintain a record of:
 - (i) the gross membership revenue of the ~~Body Fit Training~~BFT Franchise for each week, month, Quarter and year;
 - (ii) the number of Members, the number of new Members who have joined in the past month and the number of Members who have resigned or who have not renewed their Membership in the last month;
 - (iii) the number of casual visitors to the Gym and prospective Members who participate in a trial of the Gym and/or any Program as well as the number of those casual visitors and prospective Members who convert to full Members;
 - (iv) the ~~Body Fit Training~~BFT Products sold by the Franchisee;
 - (v) the Approved Promotional Products sold by the Franchisee;
 - (vi) the Programs run by the Franchisee;
 - (vii) the number of Trainers employed in the ~~Body Fit Training~~BFT Franchise;
 - (viii) the expenditures of the ~~Body Fit Training~~BFT Franchise;
 - (ix) all marketing, advertising or promotions conducted by the Franchisee; and
 - (x) all other information in respect of the ~~Body Fit Training~~BFT Franchise as reasonably required by the Franchisor from time to time.
- (c) The Franchisee must provide any Accounting Records (including, balance sheets and profit and loss statements) concerning the operations of the ~~Body Fit Training~~BFT Franchise to the Franchisor in the format reasonably required by the Franchisor at the times reasonably required by the Franchisor.
- (d) For the purposes of Section 12.17(c) the Accounting Records must:
 - (i) be current to the end of the last month; and
 - (ii) contain such other information as the Franchisor reasonably requires.

- (e) By September 1 each year, the Franchisee must provide the Franchisor with a complete set of Accounting Records for the financial year ended June 30 that year prepared by an independent certified public accountant satisfactory to the Franchisor.
- (f) The Franchisee must on request by the Franchisor provide to the Franchisor copies of any income tax or other taxation return or assessment related to the ~~Body Fit Training~~[BFT](#) Franchise provided to or by any federal, state or local taxation authority.
- (g) The Franchisee must make all Accounting Records and information required under this Section 12.177 available to the Franchisor by providing the Franchisor with direct computer access or reporting to the Franchisor within ten days after any period to which the information or report relates or the request by the Franchisor.
- (h) The Franchisee must at all times maintain complete, true and proper Accounting Records in accordance with the generally accepted accounting principles and the requirements of the Franchisor.

12.18 Online Access to Accounting Software

The Designated Owner and the Manager must provide to the Franchisor login details and passwords to enable the Franchisor, at all times during the Term and thereafter, to have online access to the Franchisee's accounting software.

13. Capital expenditure

13.1 General

Subject to Sections 13.2 and 13.3, the Franchisee will not be required to undertake significant capital expenditure in relation to the ~~Body Fit Training~~[BFT](#) Franchise during the Term.

13.2 Minimum Annual Investment

Unless the Franchisor agrees otherwise, the Franchisee must spend an amount equal to or more than the Minimum Annual Investment on upgrading or purchasing new Health and Fitness Equipment in each 12 month period commencing on the Opening Date.

13.3 Exclusions

For the purposes of this Section 13, 'significant capital expenditure' excludes the following:

- (a) any expenditure that was disclosed in the FDD given to the Franchisee before entering into this Agreement;
- (b) any expenditure incurred by the Franchisee to comply with obligations under Applicable Law;
- (c) any expenditure agreed to by the Franchisee;
- (d) any expenditure that the Franchisor deems necessary as capital investment in the ~~Body Fit Training~~[BFT](#) Franchise, justified in a written statement given to each affected ~~Body Fit Training~~[BFT](#) franchisee addressing the following:
 - (i) the rationale for making the investment;
 - (ii) the amount of the capital expenditure required;

- (iii) the anticipated outcomes and benefits; and
- (iv) the expected risks associated with making the investment.

14. Responsibilities of the Franchisor

14.1 ~~Body Fit Training~~BFT System

The Franchisor will:

- (a) make the ~~Body Fit Training~~BFT System available to the Franchisee as soon as practicable after the Start Date;
- (b) take all reasonable steps to develop and promote the ~~Body Fit Training~~BFT System;
- (c) monitor adherence to the ~~Body Fit Training~~BFT System;
- (d) manage relationships with Approved Suppliers;
- (e) generally coordinate the operation of the ~~Body Fit Training~~BFT System among the ~~Body Fit Training~~BFT Franchisees; and
- (f) maintain relationships with key suppliers.

14.2 Marketing and advertising

The Franchisor will generally coordinate national marketing, advertising and promotional initiatives to promote the successful operation and expansion of the ~~Body Fit Training~~BFT System.

14.3 1-800 number

The Franchisee acknowledges that the Franchisor may introduce a 1-800 (or similar single) telephone number as the primary point of contact to the ~~Body Fit Training~~BFT System.

14.4 Website

- (a) The Franchisor has complete control of and is responsible for maintaining the Website.
- (b) The Franchisee must not establish or operate any website or social media account, or engage in any other direct or indirect method of marketing or selling any ~~Body Fit Training~~BFT Products, Approved Promotional Products or Approved Services, other than those specified in the Manual.
- (c) The Franchisee must not on its personal website or social media account, engage in any direct or indirect method of marketing or promoting ~~Body Fit Training~~BFT or selling ~~Body Fit Training~~BFT Products, Approved Promotional Products or Approved Services. Without limitation the Franchisee must not:
 - (i) publish any ~~Body Fit Training~~BFT branded banner images or profile pictures;
 - (ii) sell or promote any ~~Body Fit Training~~BFT Products, Approved Promotional Products or Approved Services; or
 - (iii) publish any photographs of ~~Body Fit Training~~BFT Products, Approved Promotional Products or Members.

- (d) Notwithstanding Section 14.4(c), the Franchisee may on its personal website or personal social media account:
 - (i) publish general photographs or images of the ~~Body Fit Training~~BFT Franchise;
 - (ii) publish Member pictures limited to a maximum of 7 per week provided that the Member's written consent has been obtained;
 - (iii) share content from the Website or ~~Body Fit Training~~BFT social media account to the Franchisee's personal site.

14.5 Forms and stationery

The Franchisor will supply the Franchisee, at the cost of the Franchisee, with an initial supply of standard business reporting forms and other stationery for use by the Franchisee in the ~~Body Fit Training~~BFT Franchise. Thereafter, the Franchisee must:

- (a) only use stationery that conforms to the Brand Identity and Style Guide including any endorsements required by the Franchisor on that stationery; and
- (b) have the stationery approved by the Franchisor prior to use.

15. Responsibilities of the Franchisee

15.1 Commencement

The Franchisee will commence operating the ~~Body Fit Training~~BFT Franchise on the Commencement Date.

15.2 Staff

- (a) The Franchisee acknowledges that it is an independent business and the Franchisee is solely responsible for the recruitment, hiring, firing, and supervision of staff to operate the ~~Body Fit Training~~BFT Franchise. To promote a consistent customer experience throughout the ~~Body Fit Training~~BFT brand, and thereby protect and promote the value of the brand and the Marks, the Franchisee must ensure that:
 - (i) only staff with the relevant Minimum Qualification Requirements are appointed as Trainers and only staff with adequate qualifications and training are appointed to other positions in accordance with the guidelines prescribed by the Franchisor in the Franchise Documents;
 - (ii) all Trainers are employed by the Franchisee (for the avoidance of doubt, no Trainers can be engaged by the Franchisee as independent contractors);
 - (iii) all Trainers participate in ongoing training and continuing professional development;
 - (iv) all staff comply with the applicable procedures and guidelines in the Franchise Documents;
 - (v) all staff attend meetings, training, additional training (at the Franchisee's costs) or accreditation sessions as reasonably required to meet the Franchisor's standards and specifications;

- (vi) all hours worked by the Designated Owner, the Manager and all Trainers, and all classes they take, are recorded on a daily basis using the software prescribed by the Franchisor pursuant to Section 15.3.
- (b) The Franchisee must notify the Franchisor within 14 days if the Manager:
 - (i) resigns or ends his or her employment; or
 - (ii) his or her employment is terminated by the Franchisee.
- (c) The Franchisee must keep and maintain an updated staff registry in the form prescribed by the Franchisor at all times. The Franchisee must at the Franchisee's cost, provide a copy of the staff registry to the Franchisor within 1 business day of the Franchisor's request.
- (d) The Franchisee acknowledges and agrees that Franchisee is solely responsible for all employment decisions and functions of the ~~Body Fit Training~~BFT Franchise including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether the Franchisee receives advice from Franchisor on these subjects. The Franchisee acknowledges and agrees that all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by the Franchisee, without any influence or advice from the Franchisor, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Franchisor. The Franchisee acknowledges and agrees that all staff of the ~~Body Fit Training~~BFT Franchise are the exclusive employees of the Franchisee and are not the employees of the Franchisor nor joint employees of the Franchisee and Franchisor.
- (e) It is the intention of the parties to this Agreement that the Franchisor shall not be deemed a joint employer with the Franchisee for any reason. If the Franchisor incurs any cost, loss, or damage as a result of any actions or omissions of the Franchisee or the Franchisee's employees, including any that relate to any party making a finding of any joint employer status, the Franchisee will fully indemnify the Franchisor for such loss.
- (f) The Franchisee agrees that it shall include in its employment agreements with its employees, and in its Manuals, the requirement that any claim that an employee of the Franchisee may make against the Franchisor must be arbitrated on an individual basis, and must not be part of a class action.

15.3 Software, systems and other technology

The Franchisee must at its own cost:

- (a) install and use in the ~~Body Fit Training~~BFT Franchise:
 - (i) the technology platform required by the Franchisor;
 - (ii) the computer hardware and software, including accounting software, specified by the Franchisor;
 - (iii) the security systems specified by the Franchisor; and
 - (iv) an internet connection with the minimum speed and capability requirements set out in the Manual;
- (b) acquire and maintain software and systems as specified by the Franchisor including:

- (i) ~~Body-Fit-Training~~BFT's Programming software;
- (ii) CRM and debit gateway; and
- (iii) heart rate monitor software;

and pay on time all license fees for that software and those systems, whether such fees are payable to the Franchisor or a third party;

- (c) change or upgrade any computer software or hardware or security system used in the ~~Body-Fit-Training~~BFT Franchise as specified by the Franchisor from time to time;
- (d) comply with, and ensure that the Designated Owner, the Manager, all Trainers and all of the Franchisee's employees comply with the information technology policies specified in the Manual from time-to-time.

15.4 Warranties

- (a) The Franchisee must not give any warranties or representations in relation to the ~~Body-Fit-Training~~BFT System, the Franchisor, or with respect to any Program, ~~Body-Fit-Training~~BFT Product, Approved Promotional Product or Approved Service except those that are required by Applicable Laws or have been authorized by the Franchisor in writing.
- (b) Nothing in this Section excludes, restricts or modifies the application of any enactment, the exercise of any right conferred by any such enactment or the liability of the Franchisor for breach of any warranty or condition implied by any such enactment which is incapable of being excluded, restricted or modified.
- (c) The Franchisee acknowledges and agrees that neither it nor any of the Guarantors have relied on any warranty or representation made by or on behalf of the Franchisor save for those warranties and representations set out in Schedule 4 (if any).

15.5 Marketing, advertising and promotions

- (a) Subject to Section 5, the Franchisee must use all reasonable efforts to maximize the revenue potential, Member service and operational efficiencies of the ~~Body-Fit-Training~~BFT Franchise.
- (b) The Franchisee must use the marketing initiatives developed and supplied by the Franchisor in the Franchise Documents when marketing and advertising for new business.
- (c) If the Franchisee wants to use marketing or promotional materials or initiatives not authorized in the Franchise Documents, the Franchisee must first obtain written approval from the Franchisor.
- (d) The Franchisor has unlimited discretion in relation to the approval of marketing materials or initiatives.

15.6 Operation of the ~~Body-Fit-Training~~BFT Franchise

- (a) The Franchisee must operate the ~~Body-Fit-Training~~BFT Franchise in accordance with the Franchise Documents and Applicable Laws.
- (b) The Franchisee must operate the ~~Body-Fit-Training~~BFT Franchise so as to service all Members in a prompt, efficient, professional and courteous manner.

- (c) The Franchisee must not do or omit to do any act or thing prejudicial to the image or the reputation of the Franchisor, other ~~Body Fit Training~~BFT Franchisees or the ~~Body Fit Training~~BFT System.

15.7 System compliance and image

- (a) The Franchisee must:
- (i) comply with the ~~Body Fit Training~~BFT System and branding requirements as set out in the Franchise Documents;
 - (ii) carry on business activities in compliance with all Applicable Laws, regulations and codes of conduct and any instructions, directions, requirements and requests made by any statutory, governmental, industry or regulatory body, and in accordance with the highest standards of ethics and business practice; and
 - (iii) use the Intellectual Property, the Confidential Information and the ~~Body Fit Training~~BFT System solely in the conduct of the ~~Body Fit Training~~BFT Franchise and for no other purpose.
- (b) The Franchisee must ensure that all staff engaged in the ~~Body Fit Training~~BFT Franchise are:
- (i) aware of the contents of the Franchise Documents that are relevant to them;
 - (ii) aware of all obligations imposed upon the Franchisee by the Franchise Documents and;
 - (iii) appropriately trained in the ~~Body Fit Training~~BFT System.
- (c) The Franchisee must cooperate and act reasonably at all times toward other ~~Body Fit Training~~BFT Franchisees and ~~Body Fit Training~~BFT HQ.
- (d) The Manager and all Trainers and other staff employed in, and all contractors contracted to, the ~~Body Fit Training~~BFT Franchise must wear the uniforms prescribed by the Franchisor in the conduct of the ~~Body Fit Training~~BFT Franchise, both in-studio and in any form of media including social media.
- (e) The Franchisee acknowledges that the Franchisor may conduct, among other things, Member surveys and inspections of the ~~Body Fit Training~~BFT Franchise from time to time to assess the Franchisee's compliance with the ~~Body Fit Training~~BFT System and the Franchise Documents and the level of Member satisfaction.
- (f) The Franchisee acknowledges that the Franchisor may conduct, among other things, employee surveys from time to time to assess the Franchisee's compliance with the ~~Body Fit Training~~BFT System and the Franchise Documents and the level of employee satisfaction.
- (g) The Franchisee must utilize only the business reporting forms prescribed by the Franchisor in the conduct of the ~~Body Fit Training~~BFT Franchise. The Franchisee must comply with the Brand Identity and Style Guide and all reasonable requirements of the Franchisor in relation to the type, format and content of business forms and documentation, the format of reports, the use of the marks and color schemes on documentation and stationery, and the manner of completion of same. The Franchisee must legibly and totally complete all forms and documents requested by the Franchisor.

15.8 Franchise Documents

- (a) The Franchisee acknowledges that it will be bound by the provisions of the Franchise Documents.
- (b) Subject to Section 28.1 and Section 15.8(c) the Franchisee acknowledges that it will be bound by any amendments, variations or additions to the Manual not inconsistent with any term of this Agreement and made by the Franchisor from time-to-time.
- (c) The Gym Lease may only be altered by the parties in accordance with the terms of that document.
- (d) The Franchisee acknowledges that the Franchise Documents are and will remain the property of the Franchisor and that they are on loan to the Franchisee until this Agreement expires or is terminated.

15.9 Licenses and Permits

The Franchisee must procure and maintain all licenses, approvals, permits, registrations and consents required for, or in connection with, the ~~Body Fit Training~~BFT Franchise and the Gym.

15.10 Change in ownership

The Franchisee must not:

- (a) permit any change in its legal or beneficial ownership or control; or
- (b) subject to Section 19, mortgage, lease, charge, transfer, assign or otherwise deal with the ~~Body Fit Training~~BFT Franchise,

without the prior written consent of the Franchisor.

15.11 Mystery members

- (a) The Franchisee acknowledges and agrees that the Franchisor may engage any party to act as test Members (**Mystery Members**) to covertly test and audit the Franchisee's compliance with the ~~Body Fit Training~~BFT System and the requirements of the Franchise Documents.
- (b) The Franchisee authorizes the Franchisor and any Mystery Member appointed by the Franchisor to contact the Franchisee's suppliers and Members for the purposes of conducting a compliance test or audit in accordance with this Section.
- (c) The Franchisee acknowledges that if the Franchisor receives a report from a Mystery Member that the Franchisee is not complying with the ~~Body Fit Training~~BFT System or the Franchise Documents in a material respect then:
 - (i) in addition to the Franchisor's other rights under this Agreement, the Franchisor may require the Designated Owner, the Manager, or any of the Franchisee's employees (including Trainers) to undergo Additional Training;
 - (ii) the Franchisee must ensure that all parties required by the Franchisor attend the additional training; and
 - (iii) the Franchisee must pay the Additional Training Fee for the additional training.

- (d) The Franchisee will be in breach of this Agreement if the Franchisor receives more than one report from a Mystery Member that the Franchisee is not complying with the ~~Body-Fit Training~~BFT System or the Franchise Documents in a material respect in any 6 month period.
- (e) Upon the Franchisee's request, the Franchisor must provide the Franchisee with a copy of the report provided by the Mystery Member.

15.12 Annual Business Plan and KPIs

- (a) The Franchisee must submit a business plan in the form required by the Franchisor at least 2 months before each anniversary of the Commencement Date. A business plan for the first year of the operation of the ~~Body-Fit Training~~BFT Franchise must be provided prior to the Commencement Date.
- (b) Each Annual Business Plan must include the Franchisee's estimate of the key performance indicators listed in Item 17 of Schedule 1 in respect of the following 12 month period commencing on the Commencement Date or the relevant anniversary of the Commencement Date.
- (c) If the Franchisor agrees with the key performance indicators nominated by the Franchisee in an Annual Business Plan then those agreed indicators will become the KPIs for the period to which the Annual Business Plan relates.
- (d) If the Franchisee does not submit an Annual Business Plan, or if the Franchisor does not agree with any key performance indicator nominated by the Franchisee in an Annual Business Plan, then the Franchisor may designate the KPIs to apply for the period to which the Annual Business Plan relates (or would have related had it been submitted). The Franchisor must act reasonably in designating KPIs under this Section.
- (e) If the Franchisee fails to achieve a KPI, the Designated Owner and/or the Manager, as designated by the Franchisor, must attend a meeting with the Franchisor, at the Franchisee's cost, to discuss and review the performance of the ~~Body-Fit Training~~BFT Franchise.
- (f) If, after that meeting, the Franchisor specifies a strategy or action that the Franchisee is required to undertake, then the Franchisee must implement that strategy within the period nominated by the Franchisor. If the Franchisee consistently or willfully fails to undertake that strategy or action then the Franchisor may treat that failure as a breach of this Agreement.
- (g) If the Franchisor considers that the Franchisee has failed to meet the KPIs for reasons that are within the Franchisee's control, the Franchisor may require the Designated Owner, the Manager and/or some or all of the Franchisee's team members to undertake additional training (in which case the Franchisee must pay the Additional Training Fee for any such additional training).

15.13 Annual Conference

- (a) Annual Conference Attendees must attend each Annual Conference.
- (b) The Franchisee agrees to pay the Annual Conference Fee in accordance with clause 12.10.

15.14 Opening hours and availability

The Franchisee must ensure that the Gym is open for business and sufficiently staffed during the days and times and that are set forth in Manual.

15.15 Change in laws

If any Applicable Laws change, or any new laws are enacted which regulate the operation of the ~~Body-Fit Training~~BFT Franchise, the Franchisor may add to or change this Agreement (including by adding new fees or charges), provided that any such additions or changes are reasonable and are made in good faith.

16. Franchise Advisory Council

16.1 Establishment

At any time, the Franchisor may establish a council of ~~Body-Fit Training~~BFT Franchisees (**Franchise Advisory Council** or **FAC**) to advise and assist the Franchisor in the running of the ~~Body-Fit Training~~BFT System and network of ~~Body-Fit Training~~BFT Franchisees and/or for any other purpose.

16.2 Running of the FAC

If the Franchisor establishes a FAC, the Franchisor may:

- (a) state or change the name, purpose, membership and/or rules of the FAC;
- (b) adopt or reject recommendations or decisions of the FAC;
- (c) choose, elect or appoint the members of the FAC;
- (d) hold elections for members of the FAC;
- (e) attend meetings of the FAC;
- (f) charge the Franchisee and other ~~Body-Fit Training~~BFT Franchisees a reasonable fee to cover the costs of establishing and running the FAC; and
- (g) require the Designated Owner or the Manager to attend meetings of the FAC.

16.3 Decisions of the FAC

Notwithstanding any rules or other documents concerning the governance of the FAC, no decision of the FAC will be of any effect to the extent that it is inconsistent with the terms of the Franchise Documents. Unless required to do so under Applicable Laws, the Franchisor is not bound by any decision of the FAC and is not required to adopt or implement any recommendation or resolution of the FAC.

17. Insurance and indemnity

17.1 Insurance policies

- (a) The Franchisee shall, prior to the commencement of any operations under this Agreement, procure from a reputable insurance company approved by the Franchisor and shall thereafter maintain in full force and effect at all times during the Term, at Franchisee's expense, the Insurance protecting the Franchisee and the Franchisor, and their respective Affiliates, officers, directors, partners and employees, against any demand or claim with respect to personal injury, bodily injury, death, advertising injury or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the ~~Body-Fit Training~~BFT Franchise.

- (b) Without limiting the generality of this Section, the Franchisee must ensure that the Insurance includes coverage for the types of claims covered by the indemnities granted by the Franchisee pursuant to this Agreement including the indemnities in Section 17.1(e).
- (c) The Franchisee's obligation to obtain and maintain the Insurance shall not be limited in any way by reason of any insurance which may be maintained by the Franchisor, nor shall the Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.2.
- (d) Notwithstanding the coverages and limits for the Insurance specified in the Manual as of the Start Date, the Franchisor may periodically increase the amounts of coverage required under the Insurance and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards in liability, higher damage awards or other relevant changes in circumstances.
- (e) At least thirty (30) days prior to the time the Insurance is first required to be carried by the Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy of Insurance, the Franchisee shall deliver to the Franchisor Certificates of Insurance (or such other evidence of coverage that the Franchisor may designate from time to time) evidencing the proper coverage with limits not less than those required hereunder and in the Manual. Such certificates, with the exception of workers' compensation, shall name the Franchisor and each of its Affiliates, directors, agents and employees that the Franchisor specifies as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by the Franchisee of any policy provisions for which such certificates evidence coverage. Further, all certificates shall expressly provide that no less than 30 days' prior written notice shall be given the Franchisor in the event of material alteration to or cancellation of the coverages evidenced by such certificates.
- (f) Should the Franchisee, for any reason, fail to procure or maintain the Insurance required by this Agreement, as such requirements may be revised from time to time by the Franchisor in the Manual or otherwise in writing, the Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such Insurance and to charge same to the Franchisee, which charges, together with a reasonable fee for the Franchisor's expenses in so acting, shall be payable by the Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies the Franchisor may have.

17.2 General indemnity

- (a) The Franchisee hereby agrees to indemnify, defend and hold harmless the Franchisor, its Affiliates and their respective directors, officers, owners and employees (each, an **Indemnified Party**) from and against, and shall reimburse each Indemnified Party for, all costs, including attorneys' fees, incurred in connection with any and all Claims (defined below) resulting from, connected with or arising out of, directly or indirectly:
 - (i) the Franchisee's performance or non-performance of the obligations and duties to be performed under this Agreement by the Franchisee or by any person on behalf of the Franchisee;
 - (ii) the Franchisee's noncompliance or alleged noncompliance with any Applicable Law concerning the construction, design or operation of the Gym; or
 - (iii) the Franchisee's operation of the **Body-Fit TrainingBFT** Franchise, including negligence of the Franchisee, its agents and employees, but excluding Claims arising solely from the grossly negligent or intentional misconduct of the Franchisor.

- (b) As used in this Section 17.2, the term **Claim** includes:
- (i) all liabilities, losses, damages (including consequential damages), judgments, awards, settlements approved by the Indemnified Party (such approval not to be unreasonably withheld or delayed), costs and expenses (including interest (including prejudgment interest in any litigated matter), penalties, court costs and reasonable attorneys' fees and expenses); and
 - (ii) all demands, claims, suits, actions, costs of investigation, causes of action, proceedings and assessments, whether or not ultimately determined to be valid.
- (c) The Indemnified Party shall give notice to the Franchisee within fifteen (15) business days after actual receipt of service or summons to appear in any action begun in respect of which indemnity may be sought hereunder. However, failure to give such notice shall not affect the Franchisee's duties or obligations under this Section 17.2, except to the extent the Franchisee is actually prejudiced thereby. The Franchisee shall defend such action with counsel chosen by the Franchisee and approved by the Indemnified Party (such approval not to be unreasonably withheld or delayed), unless the Indemnified Party reasonably objects to such assumption on the ground that the Indemnified Party's counsel has advised the Indemnified Party that there may be legal defenses available to the Indemnified Party that are different from or in addition to those available to the Franchisee, in which case the Indemnified Party shall have the right to employ separate counsel approved by the Franchisee (such approval not to be unreasonably withheld or delayed) to defend such action for the Indemnified Party. In no event shall the Franchisee be liable for the fees and expenses of more than one counsel for any one Indemnified Party in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances unless, in the reasonable opinion of such counsel, there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnified Parties. The parties hereto will, at the Franchisee's expense, cooperate and use their best efforts to defend against and respond to any action.
- (d) Notwithstanding anything to the contrary in this Section 17.2, to the extent that the underlying legal claim for which the Indemnified Party seeks indemnification from the Franchisee includes allegations of gross negligence or willful misconduct by one or more of the Indemnified Parties, and the Indemnified Parties are found by a court of competent jurisdiction in a final decision not subject to further appeal to have been contributorily grossly negligent or to have acted with willful misconduct with respect to the underlying acts, errors or omissions giving rise to such underlying claims, the parties agree that the relevant Indemnified Parties will be liable for the Claim for which they are found to be contributorily negligent or to have acted willfully and each liable Indemnified Party will promptly reimburse to the Franchisee such percentage of any amounts previously paid to the Indemnified Party equal to the percentage of causation or liability assessed to the Indemnified Party by such competent authority with proper jurisdiction over the matter.
- (e) If the Franchisee, within a reasonable time after notice of any such Claim, fails to defend such Claim actively and in good faith, the Indemnified Party will have the right to undertake the defense, compromise or settlement of such Claim or consent to the entry of a judgment with respect to such Claim, on behalf of and for the account and risk of the Franchisee, and the Franchisee shall thereafter have no right to challenge the Indemnified Party's defense, compromise, settlement or consent to judgment.
- (f) Anything in this Section 17.2 to the contrary notwithstanding:
- (i) if there is a reasonable probability that a Claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the

Indemnified Party shall have the right to defend, compromise or settle such Claim at the Franchisee's risk and expense; and

- (ii) the Franchisee shall not, without the written consent of the Indemnified Party and its insurance carrier, as applicable, settle or compromise any Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such Claim.
- (g) The Franchisee shall promptly pay the Indemnified Party any amount due under this Section 17.2, which payment may be accomplished in whole or in part, at the option of the Indemnified Party, by the Indemnified Party's setting off any amount owed to the Franchisee by the Indemnified Party. To the extent set off is made by an Indemnified Party in satisfaction or partial satisfaction of an indemnity obligation under this Section 17.2 that is disputed by the Franchisee, upon a subsequent determination by final judgment not subject to appeal that all or a portion of such indemnity obligation was not owed to the Indemnified Party, the Indemnified Party shall pay the Franchisee the amount which was set off and not owed together with interest from the date of set off until the date of such payment at an annual rate equal to the average annual rate in effect as of the date of the set off, on those three maturities of United States Treasury obligations having a remaining life, as of such date, closest to the period from the date of the set off to the date of such judgment. Upon judgment, determination, settlement or compromise of any third-party Claim, the Franchisee shall pay promptly on behalf of the Indemnified Party, and/or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by judgment, determination, settlement or compromise and all other Claims of the Indemnified Party with respect thereto, unless in the case of a judgment an appeal is made from the judgment. If the Franchisee desires to appeal from an adverse judgment, then the Franchisee shall post and pay the cost of the security or bond to stay execution of the judgment pending appeal. Upon the payment in full by the Franchisee of such amounts, the Franchisee shall succeed to the rights of such Indemnified Party, to the extent not waived in settlement, against the third party who made such third-party Claim.
- (h) The provisions of this Section 17.2 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

18. Intellectual property

18.1 Intellectual Property Ownership

- (a) The Franchisor covenants and the Franchisee acknowledges that:
 - (i) the IP Owner is the exclusive owner of the Intellectual Property;
 - (ii) the Franchisor is the exclusive licensee of the Intellectual Property in the United States; and
 - (iii) the Franchisee's right to use the Intellectual Property is solely derived from this Agreement.
- (b) The Franchisor warrants to the Franchisee that the Intellectual Property is the property of the IP Owner and the use of the Intellectual Property by the Franchisee in accordance with this Agreement for the operation of the ~~Body-Fit-Training~~BFT Franchise will not infringe the rights of any other person.

18.2 Use obligations

- (a) The Franchisee must not use any other trademarks, trade names, business names, logos, designs or color schemes in connection with the ~~Body Fit Training~~BFT Franchise other than the Business Name and Trademarks.
- (b) The Franchisee must use the Intellectual Property only in the manner prescribed in the Franchise Documents.
- (c) Except to the extent otherwise required by Applicable Laws, the Franchisee must conduct the ~~Body Fit Training~~BFT Franchise only under the Business Name. The Franchisor will be responsible for registering the Business Name as a fictitious business name in the name of the Franchisee. The Franchisee must pay all costs associated with that registration.
- (d) Where practicable the Franchisee must display the Business Name and the Franchisor colors and logos in strict accordance with the specifications and requirements set out in the Franchise Documents together with the words “*This business is independently owned and operated by the Proprietor (insert the Franchisee’s name).*”
- (e) Without limiting the generality of the foregoing, the words referred to in Section 18.2(d) will be included on the letterheads, receipts, business cards and other documents, forms or written material utilized by the Franchisee.
- (f) The Franchisor, IP Owner, and/or their Affiliates have the right, upon reasonable notice, to change, discontinue, or substitute, or implement any Modification, for any of the Intellectual Property and to adopt new Intellectual Property for use with the ~~Body Fit Training~~BFT System, without any liability for any diminishment of the brand. The Franchisee agrees to implement any such change at its own expense within the time the Franchisor reasonably specifies.

18.3 Prohibitions, indemnities and improvements

The Franchisee must during and after the Term:

- (a) not do anything or aid or assist any other party to do anything which would infringe upon or harm the rights of the IP Owner or the rights of the Franchisor in the whole or any part of the Intellectual Property;
- (b) not contest the rights of the IP Owner or the Franchisor in the whole or any part of the Intellectual Property;
- (c) notify the Franchisor of any suspected infringement of the Intellectual Property and take such action as the Franchisor directs in relation to that infringement;
- (d) not use the Intellectual Property except directly in the ~~Body Fit Training~~BFT Franchise and in accordance with the terms of this Agreement;
- (e) compensate the IP Owner and the Franchisor for any use by the Franchisee of the Intellectual Property otherwise than in accordance with the Franchise Documents;
- (f) indemnify the IP Owner and the Franchisor for any liability incurred to third parties for any use of the Intellectual Property other than in accordance with this Agreement; and
- (g) provide to the IP Owner and the Franchisor all necessary details of any Modification, discovery or improvement made by the Franchisee concerning the System.

18.4 Business Name

- (a) The Franchisee acknowledges and agrees that the Business Name, although registered as a fictitious business name in the Franchisee's name, is, and at all times will, remain the property of the Franchisor.
- (b) The Franchisee acknowledges that the Franchisee has been permitted to register the Business Name as a fictitious business name solely on the basis that the Franchisee is a franchisee of the Franchisor.
- (c) Upon termination or expiration of this Agreement the Franchisee's right to use the Business Name ceases and the Franchisee must immediately transfer the Business Name and all registrations thereof to the Franchisor.
- (d) The Franchisee irrevocably appoints the Franchisor to be its attorney to sign, complete, date and lodge any forms (whether written or electronic) on its behalf in the event of termination of this Agreement to effect the transfer of the Business Name.

18.5 Company Name

The Franchisee and the Guarantors must not use the words "Body Fit" or any combination of the words "Body" or "Fit" in any company name unless it has the prior written consent of the Franchisor to do so.

18.6 Assignment

- (a) If this Agreement is terminated for any reason, the Franchisee must, if requested to do so by the IP Owner, execute a deed of novation to novate this Agreement to the IP Owner as and from the date of termination.
- (b) The Franchisee will assign to the IP Owner all Intellectual Property Rights in any Modifications immediately upon:
 - (i) the creation of those Intellectual Property Rights; or
 - (ii) (if Section 18.6(d) applies) the assignment of those Intellectual Property Rights to the Franchisee.
- (c) The assignment of the Intellectual Property Rights under Section 18.6(a) is for all countries in the world.
- (d) If a third party (including a Trainer) creates any Intellectual Property Rights in any Modifications on behalf of the Franchisee, the Franchisee must ensure that those Intellectual Property Rights are assigned to the Franchisee immediately on creation of those Intellectual Property Rights.

18.7 Obligation to notify

If the Franchisee receives notice or becomes aware of:

- (a) any infringement or threatened infringement of any of the Intellectual Property or any action amounting to common law passing off; or
- (b) any third party allegation or claim that any of the Intellectual Property is liable to cause deception or confusion to the public, or is an infringement of a third party's rights or is otherwise liable to attack or to be removed from a register,

the Franchisee must immediately notify the Franchisor in writing giving particulars of such notice or allegation.

18.8 Action by the Franchisor

The Franchisee understands and agrees that the Franchisor, IP Owner, and their Affiliates will have the sole right to direct and control any administrative proceeding or litigation involving Intellectual Property, including any settlement of such a matter. The Franchisee understands and agrees that the Franchisor, IP Owner, and their Affiliates have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Intellectual Property. If the IP Owner or Franchisor commences or defends or becomes involved in proceedings in relation to the Intellectual Property:

- (a) the Franchisee must provide all information that the Franchisee has in respect of the proceedings to the IP Owner or Franchisor;
- (b) the Franchisee must, at the cost of the Franchisor, provide all assistance and cooperation necessary in such proceedings including the production of documents and the giving of evidence; and
- (c) the IP Owner or Franchisor will be entitled to receive all proceeds of any actions which they commence or defend in relation to the Intellectual Property.

18.9 Action by the Franchisee

The Franchisee may not at any time:

- (a) challenge, contest or deny the validity of:
 - (i) the Intellectual Property;
 - (ii) the right or title of the IP Owner or the Franchisor to the Intellectual Property;
 - (iii) the grant of any Intellectual Property Right to the Franchisor in respect of the Intellectual Property; or
- (b) claim any title to or right to use the Intellectual Property except under this Agreement; or
- (c) commence any proceedings in relation to the Intellectual Property.

18.10 Acknowledgment and Indemnity

The Franchisee acknowledges that:

- (a) it is aware that any infringement or threatened infringement of the Intellectual Property will result in the IP Owner or Franchisor suffering damage;
- (b) damages are not an adequate remedy for any infringement of the Intellectual Property;
- (c) the IP Owner or Franchisor may seek injunctive relief if:
 - (i) the Franchisee infringes or threatens to infringe the Intellectual Property; or
 - (ii) the IP Owner or Franchisor believes the Franchisee is likely to infringe the Intellectual Property; and

- (d) the Franchisee indemnifies the IP Owner and the Franchisor against all losses, damages, expenses, attorneys' fees and other legal costs, whether incurred by or awarded against the IP Owner or Franchisor, that the IP Owner or Franchisor may sustain or incur as a result of any suspected or actual infringement of the Intellectual Property by the Franchisee.

19. Transfer or Assignment

19.1 Transfer by the Franchisor

- (a) The Franchisor may at any time Transfer, assign, delegate or otherwise deal with some or all of its rights and responsibilities under this Agreement and the powers and benefits of the relevant parts of this Agreement will be exercised and enjoyed by any delegate, transferee or assignee and any subsequent successors in title in accordance with the terms of the delegation, transfer or assignment.
- (b) The Franchisee, as evidenced by its execution of this Agreement, consents to a Transfer made in accordance with this Section 19.1 and agrees to execute;
 - (i) any assignment or novation documentation requested by the Franchisor including a surrender of this Agreement; and
 - (ii) an agreement of identical form to this Agreement direct with any transferee, assignee or delegate.

19.2 Transfer by the Franchisee

- (a) Unless the Franchisor agrees in response to unforeseen circumstances, such as the ill health or the death of the Designated Owner, an owner of the Franchisee, or the Manager, the Franchisee must not Transfer the ~~Body-Fit-Training~~[BFT](#) Franchise within one year of the Commencement Date.
- (b) If the Franchisee wants to sell or Transfer any interest in this Agreement, the Gym, the ~~Body-Fit-Training~~[BFT](#) Franchise, or effectuate any change in its legal or beneficial ownership, corporate or other entity constitution, directorship or control, the following conditions shall apply:
 - (i) the Franchisee must notify the Franchisor in writing (**Transfer Notice**) of the sale price and terms of sale proposed by the Franchisee and must include with the Transfer Notice all information that the Franchisor reasonably requires to make an informed decision in relation to the Transfer Notice (**Transfer Notice Accompanying Information**); and
 - (ii) the Franchisor will have the option, by notice in writing (**Acquisition Notice**) exercisable within 14 days after receipt of the Transfer Notice and all required Transfer Notice Accompanying Information, to buy the ~~Body-Fit-Training~~[BFT](#) Franchise on the terms set out in the Transfer Notice.
- (c) If the Franchisor issues an Acquisition Notice:
 - (i) the Franchisee will be bound to sell the Franchise to the Franchisor; and
 - (ii) the Franchisor will be bound to buy the ~~Body-Fit-Training~~[BFT](#) Franchise for the sale price set out in the Transfer Notice (less any amounts owing by the Franchisee to the Franchisor) and otherwise in accordance with the terms of sale set out in the Transfer Notice.
- (d) Upon the Transfer by the Franchisee of any part of the Franchise:

- (i) the rights of the Franchisee under this Agreement are terminated; but
 - (ii) without prejudice to the Franchisee's continuing obligations under this Agreement.
- (e) If, within 14 days after receipt of the Transfer Notice, the Franchisor has not issued an Acquisition Notice, the Franchisee may proceed to Transfer the Franchise:
 - (i) within the period of 90 days from the date of the Transfer Notice;
 - (ii) at a price equal to or greater than the price set out in the Transfer Notice;
 - (iii) otherwise on the terms of sale set out in the Transfer Notice;
 - (iv) to a proposed transferee, subject to the Franchisor consenting to the assignment of this Agreement in accordance with Section 19.2(i).
- (f) The Franchisee must not use any marketing or other material advertising or promoting the sale of the ~~Body Fit Training~~[BFT](#) Franchise unless all such materials comply with the Style Guide and have been approved by the Franchisor.
- (g) If the ~~Body Fit Training~~[BFT](#) Franchise is not transferred within the 90 day period referred to in Section 19.2(f) all preceding provisions of this Section 19.2 will again apply to any Transfer.
- (h) The Franchisee may, with the consent of the Franchisor, transfer or assign this Agreement and the Franchisor will not withhold its consent if:
 - (i) the Franchisor has not issued an Acquisition Notice in accordance with Section 19.2(c)(ii);
 - (ii) the Franchisee requests the consent of the Franchisor to the transfer or assignment to the proposed assignee or transferee in writing (**Transfer Request**);
 - (iii) the Franchisee includes with the Transfer Request all information that the Franchisor reasonably requires to make an informed decision in relation to the Transfer Request (**Transfer Request Accompanying Information**);
 - (iv) the proposed assignee or transferee has been provided with any FDD or other disclosure document or other information required to be provided to the proposed assignee or transferee and has otherwise complied with the requirements of Applicable Laws;
 - (v) the transfer or assignment is part of a bona fide sale of the ~~Body Fit Training~~[BFT](#) Franchise to a purchaser;
 - (vi) the proposed assignee or transferee and its Designated Owner has met the then current reasonable selection criteria of the Franchisor;
 - (vii) the proposed assignee or transferee is, in the reasonable opinion of the Franchisor, a responsible and solvent person with sufficient financial and business capacity to successfully operate the ~~Body Fit Training~~[BFT](#) Franchise;
 - (viii) the proposed assignee or transferee obtains all licenses and permits required to operate the ~~Body Fit Training~~[BFT](#) Franchise and undertakes at the cost of the Franchisee all training programs required by the Franchisor of new ~~Body Fit Training~~[BFT](#) Franchisees;

- (ix) the Franchisee is not in default under this Agreement, and pays to the Franchisor prior to closing of any sale any moneys outstanding to the Franchisor, any other suppliers and all creditors of the ~~Body Fit Training~~BFT Franchise;
 - (x) the Franchisee pays to the Franchisor the reasonable legal and other costs of the Franchisor in relation to any actual or proposed assignment or transfer of this Agreement including any costs incurred by the Franchisor in assessing any potential transferee or providing any information to that potential transferee;
 - (xi) the proposed assignee or transferee executes the Franchisor's then current standard franchise agreement for a term equal to the shorter of (A) the remaining Term of this Agreement or (B) the remaining term of the Gym Lease;
 - (xii) the Franchisee and the Guarantors execute the Franchisor's then current form of release; and
 - (xiii) the proposed assignee or transferee and any related persons or companies nominated by the Franchisor (acting reasonably) execute any guarantees, security documentation and otherwise comply with any financial, solvency, asset backing or other preconditions to the grant of a franchise imposed upon existing or new ~~Body Fit Training~~BFT Franchisees.
- (i) The Franchisor may impose conditions on its consent to a Transfer provided that in doing so, it is acting in good faith.
 - (j) The Franchisee acknowledges that any attempted transfer by Franchisee in violation of this Agreement shall be null and void, and shall be a material breach of this Section 19.
 - (k) The Franchisor may request further Transfer Notice Accompanying Information or Transfer Request Accompanying Information by notice in writing to the Franchisee.

20. Termination

20.1 Breach by the Franchisee or Guarantor

The Franchisor may terminate this Agreement if:

- (a) the Franchisee or any Guarantor has breached a provision of this Agreement or any other Franchise Document; and
- (b) the Franchisor has given the Franchisee written notice (**Franchisee Breach Notice**) of:
 - (i) the breach;
 - (ii) the fact that the Franchisor proposes to terminate this Agreement as a result of the breach unless it is rectified within a reasonable period specified in the Franchisee Breach Notice;
 - (iii) the action required to rectify the breach; and
 - (iv) the reasonable period within which the Franchisee must rectify the breach; and
- (c) the Franchisee and/or the relevant Guarantor fail to rectify the breach within the period specified in the Franchisee Breach Notice.

20.2 Cross Default

- (a) A breach of any other agreement (whether franchise agreement or otherwise) the Franchisee or a Franchisee shareholder (or an Affiliate or associate of the Franchisee or Franchisee shareholder) is a party to with the Franchisor, will constitute a breach of this Agreement and vice versa.
- (b) Notwithstanding any other rights the Franchisor may have under any other agreement, the Franchisee acknowledges that the Franchisee Breach Notice given to the Franchisee pursuant to Section 20.1(b) will be sufficient notice for both this Agreement and the equivalent section under any other agreement the Franchisee has entered into with the Franchisor.

20.3 Vicarious liability

For the purposes of this Section 20, any act or omission by any Guarantor, director, officer, shareholder or employee of the Franchisee will be deemed to be an act or omission of the Franchisee notwithstanding:

- (a) the absence of any common law vicarious liability in the Franchisee;
- (b) that the Guarantor, director, officer shareholder or employee may have at the relevant time been acting, or refraining from acting, in a capacity other than as a director, officer, shareholder or employee of the Franchisee.

20.4 Events of default in relation to the Franchisee

- (a) The Franchisor may terminate this Agreement by written notice effective immediately if the Franchisee:
 - (i) no longer holds a license or permit that the Franchisee must hold to carry on the ~~Body Fit Training~~BFT Franchise;
 - (ii) becomes bankrupt, a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee;
 - (iii) becomes insolvent or make a general assignment for the benefit of creditors;
 - (iv) the Franchisee is dissolved or has its corporate or other charter revoked or suspended;
 - (v) suffers (A) the filing of a bill in equity or other proceeding for the appointment of a receiver of the Franchisee or other custodian for the Franchisee's business or assets and such filing is consented to by the Franchisee or (B) the appointment of a receiver or other custodian (permanent or temporary) of the Franchisee's assets or property, or any part thereof, by any court of competent jurisdiction;
 - (vi) institutes or suffers the institution of proceedings for a composition with creditors under any state or federal law;
 - (vii) fails to satisfy a final judgment of record for thirty (30) days or longer (unless supersedeas bond is filed);
 - (viii) suffers the levy of execution against any material portion of the Franchisee's business or property
 - (ix) voluntarily abandons the ~~Body Fit Training~~BFT Franchise;

- (x) the Designated Owner or Manager is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense, or engages in any other conduct, that the Franchisor believes is reasonably likely to have an adverse effect on the ~~Body Fit Training~~BFT Franchise, the ~~Body Fit Training~~BFT System, the Intellectual Property, the goodwill associated therewith or the Franchisor's interest therein;
- (xi) operates the ~~Body Fit Training~~BFT Franchise in a way that endangers public health and safety;
- (xii) acts fraudulently in connection with the operation of the ~~Body Fit Training~~BFT Franchise or made any false or misleading statement in inducing the Franchisor to grant this Agreement and the franchise provided for herein; or
- (xiii) takes, or omits to take, any action which is, at the relevant time, is a ground for immediate termination of a franchise agreement under Applicable Laws.

20.5 Breach by the Franchisor

- (a) The Franchisee may terminate this Agreement if:
 - (i) the Franchisee is not in material breach of this Agreement;
 - (ii) the Franchisor has breached a material term of this Agreement;
 - (iii) the Franchisee has given the Franchisor written notice (**Franchisor Breach Notice**) of:
 - (A) the breach;
 - (B) the fact that the Franchisee proposes to terminate this Agreement as a result of the breach unless it is rectified within a reasonable period specified in the Franchisor Breach Notice;
 - (C) the action required to rectify the breach; and
 - (D) the reasonable period in which the Franchisor has to rectify the breach.
- (b) the Franchisor fails to rectify the breach within the period specified in the Franchisor Breach Notice.
- (c) A termination of this Agreement by the Franchisee except in accordance with this Section will be deemed to be a termination without proper cause and a breach of the Agreement by the Franchisee.

20.6 Reasonable notice

- (a) Subject to Sections 20.6(b) and 20.6(c) it is agreed that the reasonable period of notice required by this Agreement and Applicable Laws is not more than 30 days.
- (b) If the Franchisee or a Guarantor breaches any provision of this Agreement on more than three occasions in any 12 month period and has in each case received written notice of breach in accordance with this Agreement, the reasonable period of notice required by this Agreement and Applicable Laws for any subsequent breach of the same or a similar provision is two Business Days. (For the purposes of this Section all breaches of this Agreement for failing to pay moneys when due to the Franchisor will be treated as breaches of the same provision of this Agreement).

- (c) If the Franchisor determines on reasonable grounds that any breach of this Agreement has been deliberate and calculated to cause damage to the Franchisor, the parties agree and accept that the reasonable period of notice required under this Agreement and Applicable Laws is two Business Days or such shorter period as the Franchisor determines as necessary to avoid the Franchisor suffering material loss or damage.
- (d) If the Franchisee breaches a provision of this Agreement and the breach is not capable of being remedied, the parties agree and accept that the reasonable period of notice required under this Agreement and Applicable Laws is 5:00pm on the day that the Franchisee Breach Notice is issued.

20.7 Suspension of franchise agreement

- (a) The Franchisor will be entitled to immediately suspend the rights granted to the Franchisee under this Agreement pending rectification of a breach where the Franchisee has been served with a Franchisee Breach Notice and the Franchisor reasonably believes:
 - (i) that there is a risk to the goodwill of the ~~Body Fit Training~~BFT Franchise or the integrity of the image of the ~~Body Fit Training~~BFT System; or
 - (ii) that the Franchisee is likely to continue to breach this Agreement during the period allowed for rectification.
- (b) Without prejudice to any of the foregoing rights, the Franchisor may suspend some or all of the consequences of termination for a period not exceeding 90 days to allow the Franchisee to attempt to sell the ~~Body Fit Training~~BFT Franchise. If the Franchisor does so, in the event that the Franchisee, in the reasonable opinion of the Franchisor, fails to make genuine efforts to sell the ~~Body Fit Training~~BFT Franchise, the Franchisor may serve a further notice of termination cancelling all prior notices and terminating this Agreement effective immediately.
- (c) If the Franchisor considers that it would be inappropriate for the Franchisee to continue to operate the ~~Body Fit Training~~BFT Franchise while attempts are being made by the Franchisee to sell the ~~Body Fit Training~~BFT Franchise, the Franchisor may operate the ~~Body Fit Training~~BFT Franchise but must account to the Franchisee for any profit made by the ~~Body Fit Training~~BFT Franchise less a reasonable fee for the time and expense undertaken by the Franchisor in managing the ~~Body Fit Training~~BFT Franchise during the period of suspension.

21. After termination or expiration

21.1 Consequences

- (a) Upon expiration or earlier termination of this Agreement the Franchisee and Guarantor must:
 - (i) cease to operate the ~~Body Fit Training~~BFT Franchise;
 - (ii) cooperate with and assist the Franchisor to transition the ~~Body Fit Training~~BFT Franchise to another ~~Body Fit Training~~BFT Franchisee or the Franchisor or an Affiliate of the Franchisor (whether temporarily or permanently) as the Franchisor may require;
 - (iii) cease using the Intellectual Property, Franchise Documents and Confidential Information;
 - (iv) refrain from holding itself out as being in any way associated with the Franchisor;

- (v) return to the Franchisor all property belonging to the Franchisor, including all copies of the Intellectual Property, the Franchise Documents, computer software and databases, uniforms, Confidential Information and all stationery, brochures and publications;
 - (vi) remove from all and any vehicles, signs, buildings and documents and any other items in possession or control of the Franchisee all Trademarks, the Business Name, trade names and logos relating to the Franchisor and the ~~Body Fit Training~~BFT Franchise;
 - (vii) transfer landline and mobile telephone numbers, email addresses, and other key contact details, as well as the usernames, administrative codes and passwords for all social media accounts, domain names, or other online presence, used by the Franchisee in relation to the ~~Body Fit Training~~BFT Franchise to the Franchisor; and
 - (viii) upon the Franchisor's request, transfer to the Franchisor or the Franchisor's designee the Franchisee's interest in any lease then in effect for the Gym, for which the Franchisor shall not be obligated to pay any compensation to the Franchisee. The Franchisor shall notify the Franchisee of its intent to exercise this option and the identity of the designee within thirty (30) days after termination or expiration of this Agreement.
- (b) If the Franchisee fails to satisfy the obligation contained in Section 21.1(a) the Franchisee acknowledges that:
- (i) it is aware that any such breach will result in the Franchisor suffering damage;
 - (ii) in the event of a suspected or actual breach of those provisions, the Franchisor is entitled to seek and obtain injunctive relief and damages without the necessity of a bond or other undertaking; and
 - (iii) the Franchisee indemnifies the Franchisor in accordance with Section 17.2 against all losses, damages, expenses, attorneys' fees and other legal costs, whether incurred by or awarded against the Franchisor, that the Franchisor may sustain or incur as a result of any suspected or actual breach of those provisions by the Franchisee.
- (c) On termination or expiration of this Agreement, the Franchisee will not be entitled to any refund, rebate or payment from the Franchisor for:
- (i) any goodwill in the ~~Body Fit Training~~BFT Franchise, the ~~Body Fit Training~~BFT System, the Intellectual Property and/or the Business Name; or
 - (ii) money paid by the Franchisee and/or Guarantor to the Franchisor in respect of the Franchisee Fee, Service Fee, Initial Training Fee, Additional Training Fee, Retention Amount, Renewal Fee, Transfer Fee, Site Start Up and Support Fee or any other money paid by the Franchisee and/or Guarantor to the Franchisor; or
 - (iii) on account of advertising or any other activities relating to the ~~Body Fit Training~~BFT Franchise.

21.2 Option to purchase Health and Fitness Equipment, ~~Body Fit Training~~BFT Products, Approved Promotional Products, Approved Nutritional Products and other assets

- (a) Upon expiration or earlier termination of this Agreement the Franchisor will have an option to purchase all or part of the ~~Body Fit Training~~BFT Products, Approved Promotional Products, Approved Nutritional Products, Health and Fitness Equipment and any other physical assets used in the ~~Body Fit Training~~BFT Franchise.

- (b) In order to exercise the option provided for in sub-Section (a) above, the Franchisor will issue a notice to the Franchisee within seven (7) days from the date of expiration or termination that the Franchisor wishes to exercise its option under this Section and specify which pieces of Health and Fitness Equipment and/or which ~~Body-Fit-Training~~BFT Products, Approved Promotional Products, Approved Nutritional Products or assets or the class of assets that the Franchisor wishes to purchase
- (c) The purchase price for the assets that the Franchisor elects to purchase will be:
 - (i) in the case of ~~Body-Fit-Training~~BFT Products, Approved Promotional Products or Approved Nutritional Products the fair market value to be determined taking into account the following;
 - (A) the price paid by the Franchisee exclusive of sales or other taxes;
 - (B) whether the ~~Body-Fit-Training~~BFT Products, Approved Promotional Products or Approved Nutritional Products are current season;
 - (C) whether any of the ~~Body-Fit-Training~~BFT Products, Approved Promotional Products or Approved Nutritional Products were poor sellers; and
 - (D) the condition and use by date of the ~~Body-Fit-Training~~BFT Products, Approved Promotional Products or Approved Nutritional Products.
 - (ii) in the case of Health and Fitness Equipment, the depreciated value on the books of account of the Franchisee as at the date of termination.
- (d) Within 14 days from the date the Franchisee receives the Franchisor's notice under sub-Section (b) above, the Franchisee must provide to the Franchisor:
 - (i) invoices for all ~~Body-Fit-Training~~BFT Products, Approved Promotional Products or Approved Nutritional Products to be purchased by the Franchisor;
 - (ii) a statement from the Franchisee's accounts of the date of acquisition and depreciated value of the Health and Fitness Equipment to be purchased by the Franchisor.
- (e) The Franchisor will pay to the Franchisee the total amount payable for the ~~Body-Fit-Training~~BFT Products, Approved Promotional Products, Approved Nutritional Products Health and Fitness Equipment to be purchased by the Franchisor within 14 days of receipt of the information provided by the Franchisee in accordance with Subsection (d).
- (f) The Franchisor will be entitled to set off against the purchase price for the ~~Body-Fit-Training~~BFT Products, Approved Promotional Products, Approved Nutritional Products, Health and Fitness Equipment and other assets any amounts then owed by the Franchisee to the Franchisor.

22. Dispute resolution

22.1 Consultation; Arbitration

All controversies, claims and disputes arising under or in connection with this Agreement shall be settled by mutual consultation between the parties in good faith as promptly as possible, but failing an amicable settlement shall be settled finally by binding arbitration in accordance with the provisions of this Section 22. Unless otherwise required by Applicable Law, such arbitration shall be conducted in Los Angeles

County, California, in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

22.2 Exclusivity

The parties hereto hereby agree that, with the exception of claims arising out of a breach of the intellectual property protection provisions of this Agreement, the arbitration procedure provided for herein shall be the sole and exclusive method of resolving any and all of the aforesaid controversies, claims or disputes.

22.3 Decision by Arbitrators

The Franchisor and the Franchisee shall each select an arbitrator to resolve any dispute hereunder, and the two (2) arbitrators so selected shall select a third arbitrator. The three (3) arbitrators so selected shall make a final decision and award according to the terms and provisions of this Agreement and applicable law. Said decision shall set forth findings of fact and conclusions of law upon which the award is based. The arbitrators may select counsel to provide advice in preparation of such findings and conclusions, and on any point of law arising in the course of arbitration. The decision of any two (2) arbitrators shall constitute a final decision and award hereunder. Judgment upon the award may be entered in any court which has jurisdiction over such matter in accordance with the provisions of Section 22.5 hereof.

22.4 Costs and Expenses

The costs and expenses of the arbitration, including attorneys' fees, shall be borne by the parties in the manner determined by the arbitrators.

22.5 Judicial Action

Legal action for (i) entry of judgment upon any arbitration award or (ii) adjudication of any controversy, claim or dispute arising from a breach or alleged breach of this Section 22 may be heard or tried only in the Superior Court of the State of California for the County of Los Angeles or the Federal District Court for the Central District of California, as either party may elect. Both parties hereby submit to the jurisdiction of the court so designated, to the exclusion of any other courts which might have had jurisdiction apart from this Section 22, and agree that the prevailing party shall be entitled to recover from the non-prevailing party reasonable expenses, including an attorneys' fees.

22.6 Injunctive relief

Despite the dispute resolution procedures of this Section 22, a party to this Agreement may seek injunctive relief from an appropriate court, where failure to obtain such relief would cause irreparable damage to the party concerned or the ~~Body-Fit Training~~[BFT](#) System.

23. Restrictive covenant

23.1 Base restraint

The Guarantor, the Franchisee and the Franchisor have considered their respective positions and agree with each other that it is fair and reasonable that the Guarantor and the Franchisee must not without the prior written consent of the Franchisor (which consent the Franchisor may withhold in its absolute and unfettered discretion) in any Capacity whether directly or indirectly by themselves or jointly with or on behalf of any other person or corporation or trust on any account or pretext by any means whatsoever or through an agent or independent contractor:

- (a) carry on or be engaged in or concerned with directly or indirectly whether as proprietor, director, associate director, employer, employee, of any person or company or trust which the Guarantor or the Franchisee or any relative or affiliate of any one or more of them has any interest in whatsoever, agent, principal, partner, consultant or in any other capacity whatsoever or otherwise engage in the business of the general type and kind engaged by the ~~Body Fit Training~~BFT Franchise or any other business of a similar nature; or
- (b) procure or solicit or encourage any other person to procure or solicit the custom of any person who is a Member of the ~~Body Fit Training~~BFT Franchise as at the date the Agreement is terminated or expires or who has been a Member of the Business within the period of 1 year immediately preceding that date; or
- (c) hold or beneficially own whether directly or indirectly and whether absolutely or contingently or hold options over shares in or be an adviser to any corporation doing any of the things referred to in Sections 23.1(a) or 23.1(b).

during the Restraint Period in the Restraint Area.

23.2 Potential that restraint not fair or reasonable

The Guarantor, the Franchisee and the Franchisor are aware that while each of them consider that the restraint of trade imposed in Section 23.1 to be fair and reasonable, a court or other tribunal may determine otherwise and hold that restraint to be void or otherwise of limited effect.

23.3 Combination restraints

In consideration of the grant of the licenses granted to the Franchisee by this Agreement, from which the Guarantor and the Franchisee acknowledge they will each gain a financial benefit, the Guarantor and the Franchisee jointly and severally agree with the Franchisor and declare that:

- (a) the Franchisor should have the benefit in each and every combination of the restraints of trade covenant set out in Section 23.4;
- (b) the benefit of each and every combination of the restraints of trade covenant set forth in Section 23.4 is provided to the Franchisor by the Guarantor and the Franchisee to protect fully and properly protect the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System and the future development and operation of the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System which is the wish of both the Guarantor and the Franchisee;
- (c) each and every combination of restraint of trade covenant set forth in Section 23.4 is fair and reasonable having regard to all the circumstances and the nature of the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System;
- (d) it is essential to the proper protection of the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System that the Guarantor and the Franchisee each be restrained from competing unfairly, and it is for that reason that the parties have adopted the style of covenant set out in Section 23.4 to avoid a situation where if any restraint covenant which the parties now believe to the best of their knowledge to be fair and reasonable is later held to be unreasonable and unenforceable, the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System are not left unprotected by an invalid restraint of competition covenant;
- (e) the Guarantor and the Franchisee each desire that the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System should not for any reason, lose the protection of any or all of the restraints of competition covenant set out in Section 23.4; and

- (f) in the event any one or more of the combinations of the restraint of competition covenants referred to in Section 23.4 is held to be void or unenforceable for any reason whatsoever, that must not in any way affect the enforceability of the remaining combination or combinations.

23.4 Several covenants

In consideration of the Franchisor entering into this Agreement and to reasonably protect the ~~Body-Fit Training~~BFT Franchise and the ~~Body-Fit Training~~BFT System, the Guarantor and the Franchisee each jointly and severally agree with the Franchisor that:

- (a) this Section will have the effect as if it were several covenants consisting of:
- (i) each separate covenant set out in Section 23.4(b) of this Section; combined with;
 - (ii) each Restraint Period; combined with;
 - (iii) each Restraint Area,
- and if any of those several separate covenants will be or become invalid or unenforceable for any reason then such invalidity or unenforceability will not affect the validity or enforceability or any of the other separate covenants;
- (b) the Guarantor and the Franchisee will not, at any during the Restraint Period and within the Restraint Area without the prior written consent of the Franchisor (which consent the Franchisor may withhold in its absolute and unfettered discretion), in any Capacity whether directly or indirectly by or jointly with or on behalf of any other person, corporation, other entity or trust, on any account or pretext by any means whatsoever or through an agent or independent contractor:
- (i) carry on or be engaged in or concerned with directly or indirectly, whether as proprietor, director, associate director, financier, employer, employee of any person or company or trust which the Franchisee or Guarantor or any relative or Affiliate of either of them has any interest in whatsoever, as agent, principal, partner, consultant or in any other capacity whatsoever, or otherwise engage in the general type and kind engaged in by the ~~Body-Fit Training~~BFT Franchise or any other business of a similar nature; or
 - (ii) procure or solicit or encourage any other person or procure or solicit the custom of any person who is a Member of the ~~Body-Fit Training~~BFT Franchise at the date on which this Agreement is terminated or expires or who has been a Member of the ~~Body-Fit Training~~BFT Franchise within the period of 1 year immediately preceding that date; or
 - (iii) hold or beneficially own whether directly or indirectly and whether absolutely or contingently or hold options over shares in or be an adviser to any corporation doing any of the things referred to in Sections 23.4(b)(i) or 23.4(b)(ii).

23.5 Transferability

The Franchisee and the Guarantor acknowledge that the covenants in this Section 23 given by them are for the benefit of the ~~Body-Fit Training~~BFT Franchise and the ~~Body-Fit Training~~BFT System and are to be transferred with the ~~Body-Fit Training~~BFT Franchise or the ~~Body-Fit Training~~BFT System.

23.6 Benefit of restraint on sale or transfer

The Franchisee and the Guarantor further acknowledge that the Franchisor may re-franchise the ~~Body-Fit Training~~BFT Franchise or sell the ~~Body-Fit Training~~BFT System and agrees with the Franchisor that the

Franchisor may assign with the ~~Body Fit Training~~BFT Franchise or the ~~Body Fit Training~~BFT System the benefit of any covenants in this Section 23.

23.7 Exceptions

Nothing in this Section 23 restricts the Franchisee or the Guarantor from:

- (a) performing their obligations under this Agreement;
- (b) performing any employment agreement with the Franchisor;
- (c) being a franchisee of another ~~Body Fit Training~~BFT gym; or
- (d) holding 5% or less of the shares of a publicly traded company.

23.8 Acknowledgments

The Franchisee acknowledges that:

- (a) all the prohibitions and restrictions contained in this Section are reasonable in the circumstances and necessary to protect the goodwill of the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System;
- (b) damages are not an adequate remedy if a person breaches this Section 23; and
- (c) the Franchisor may apply for injunctive relief if:
 - (i) a person breaches or threatens to breach any provision of this Section; or
 - (ii) it believes a person is likely to breach any provision of this Section.

24. Guarantee and indemnity

24.1 Guarantee and indemnity

Each Guarantor unconditionally and irrevocably:

- (a) guarantees to the Franchisor the due and punctual performance and observance by the Franchisee of all of the obligations contained in or implied under this Agreement that must be performed and observed by the Franchisee (**Guaranteed Obligations**); and
- (b) indemnifies the Franchisor against all losses, damages, costs and expenses which the Franchisor may now or in the future suffer or incur consequent on or arising directly or indirectly out of any breach or non-observance by the Franchisee of a Guaranteed Obligation.

24.2 Extent of guarantee and indemnity

This Section 24 applies and the obligations of each Guarantor remain unaffected despite:

- (a) an amendment of this Agreement, whether with or without the Guarantor's knowledge or consent;
- (b) an insolvency event affecting a person or the death of a person;

- (c) a change in the constitution, membership, or partnership of a person;
- (d) the partial performance of the Guaranteed Obligations;
- (e) the Guaranteed Obligations not being enforceable at any time (whether by reason of a legal limitation, disability or incapacity on the part of the Franchisee and whether this Agreement is void *ab initio* or is subsequently avoided) against the Franchisee;
- (f) the Franchisor granting any time or other indulgence or concession to, compounding or compromising with, or wholly or partially releasing the Franchisee or Guarantor of an obligation; or
- (g) another thing happening that might otherwise release, discharge or affect the obligations of the Guarantor under this Agreement.

24.3 Principal and independent obligation

This Section is:

- (a) a principal obligation and is not to be treated as ancillary or collateral to another right or obligation; and
- (b) independent of and not in substitution for or affected by another security interest or guarantee or other document or agreement which the Franchisor or another person may hold concerning the Guaranteed Obligations.

24.4 Enforcement against Guarantor

The Franchisor may enforce this Section against a Guarantor without first having to resort to another guarantee or security interest or other agreement relating to the Guaranteed Obligations.

25. Privacy

25.1 Collection by the Franchisor

- (a) The Franchisor may, upon written request, collect Personal Information from the Franchisee and the Guarantor at any time during the Term.
- (b) The Franchisee and Guarantor consent to the collection, use and disclosure of Personal Information provided to the Franchisor pursuant to this Section 25.
- (c) Unless otherwise advised by the Franchisor, the purpose for which the Personal Information is collected is for the administration and development of the ~~Body Fit Training~~[BFT](#) System and for legal compliance in the offer and sale of additional ~~Body Fit Training~~[BFT](#) franchises.
- (d) The Franchisor must:
 - (i) comply with all Data Protection Laws; and
 - (ii) use its reasonable efforts to comply with the Privacy Policy,
 in the collection, use, storage and disclosure of Personal Information.
- (e) The Franchisor may disclose the Personal Information to:

- (i) prospective purchasers of the Franchisor's business;
- (ii) its professional, business and legal advisers;
- (iii) financial institutions; and
- (iv) to such persons as required by law.

25.2 Collection by the Franchisee

- (a) The Franchisee must comply with:

- (i) all Data Protection Laws; and
- (ii) the Privacy Policy,

in the collection, use, storage and disclosure of Personal Information collected from Members.

- (b) The Franchisee must make reasonable efforts to ensure that any individual from whom Personal Information is obtained in the course of carrying on the ~~Body Fit Training~~[BFT](#) Franchise consents (in writing) to:

- (i) the disclosure to and the use by the Franchisee of that Personal Information;
- (ii) the disclosure of the Personal Information by the Franchisee to:
 - (A) prospective purchasers of the Franchisor's business;
 - (B) prospective purchasers of the ~~Body Fit Training~~[BFT](#) Franchise;
 - (C) the Franchisee's professional, business and legal advisers;
 - (D) financial institutions; and
 - (E) the Franchisor.

25.3 Indemnity

- (a) To the extent permitted by law, the Franchisor indemnifies and agrees to keep indemnified the Franchisee from and against all loss incurred or arising in connection with a breach of Data Protection Laws by the Franchisor in relation to the Members' Personal Information provided by the Franchisee to the Franchisor.
- (b) To the extent permitted by law, the Franchisee indemnifies and agrees to keep indemnified the Franchisor from and against all loss incurred or arising in connection with a breach of Data Protection Laws by the Franchisee in relation to the Personal Information provided to the Franchisor pursuant to this Agreement.

26. Confidentiality

26.1 Obligation to keep confidential

- (a) The Franchisee, each Guarantor and the nominated representative must keep the Confidential Information absolutely confidential at all times except where:

- (i) the information is public knowledge (but not because of a breach of this Agreement) or the party has independently created the information;
 - (ii) disclosure is required by law or a regulatory body (including a relevant stock exchange); or
 - (iii) disclosure is made to a person who must know for the purposes of this Agreement on the basis that the person keeps the information confidential.
- (b) The Franchisee will take reasonable steps to ensure that its employees also observe such requirements as to confidentiality and will at the request of the Franchisor procure that they enter confidentiality agreements.
 - (c) The Franchisee's obligation under this Section 26 will continue to be binding notwithstanding the expiration or termination of this Agreement except in relation to information which is or becomes generally available to the public.
 - (d) The Franchisor may use any information provided by the Franchisee for purposes associated with the ~~Body Fit Training~~BFT Franchise and the ~~Body Fit Training~~BFT System or for promotional, benchmarking, sales or related purposes, and may disclose any such information to the extent required by law in connection with the offer and sale of additional ~~Body Fit Training~~BFT franchises.
 - (e) To remove doubt, the Franchisor cannot disclose to any person personal information about the Franchisee or a Guarantor or any information about the Franchisee or a Guarantor which has been provided to the Franchisor for its initial consideration to determine the suitability of the Franchisee to operate a ~~Body Fit Training~~BFT Franchise unless the Franchisee or Guarantor has consented to the disclosure.
 - (f) The Franchisee acknowledges that property in any list or database that contains details of Members of the ~~Body Fit Training~~BFT Franchise, their address or contact details, and purchase history will at all times remain vested in the Franchisor. The Franchisee may only use that information for the sole purpose of carrying on the ~~Body Fit Training~~BFT Franchise.

26.2 Announcements

A public announcement in connection with this Agreement or any transaction contemplated by it must be agreed by the parties before it is made, except if required by law or a regulatory body (including a relevant stock exchange), in which case the party required to make an announcement must, to the extent practicable, first consult with and take into account the reasonable requirements of each other party.

27. Notices and other communications

27.1 Service of notices

A notice, demand, consent, approval or communication under this Agreement (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorized by the sender; and
- (b) hand delivered or sent by prepaid post or facsimile or email to the recipient's address for Notices specified in the Details, as varied by any Notice given by the recipient to the sender.

27.2 Effective on receipt

A Notice given in accordance with Section 27.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, on the second Business Day after the date of posting (or on the seventh Business Day after the date of posting if posted to or from a place outside the United States);
- (c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice;
- (d) if sent by email, when the sender's email system generates a delivery message unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

but if the delivery, receipt or transmission is not on a Business Day or is after 5:00pm on a Business Day, the Notice is taken to be received at 9:00am on the next Business Day.

28. Miscellaneous

28.1 Alterations

Except where the Franchisor is entitled to effect a change to this Agreement by notice to the Franchisee, this Agreement may be altered only in writing signed by each party.

28.2 Approvals and consents

Except where this Agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this Agreement.

28.3 Costs

The Franchisee must pay the following legal costs and outlays incurred by the Franchisor:

- (a) costs associated with the preparation, negotiation and execution of this Agreement;
- (b) the Franchisor's costs (including attorneys' fees and other legal costs) of any actual or proposed transfer, assignment, variation, surrender, renewal, extension or termination of this Agreement and consideration of any request for consent and documenting the giving of that consent required under this Agreement;
- (c) all costs and outlays associated with any breach by the Franchisee of any Franchise Document including all of the Franchisor's attorneys' fees and other legal costs (on a full indemnity basis) for issuing any breach notice.

28.4 Taxes and other impositions

Any duties, taxes or other impositions of a similar nature (including fines, penalties and interest) in connection with this Agreement or any transaction contemplated by this Agreement, must be paid by the Franchisee.

28.5 Terrorist and Money Laundering Activities.

The Franchisee represents and warrants to the Franchisor that neither the Franchisee, nor any of its officers, directors or Guarantors is identified, either by name or an alias, pseudonym or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/). Further, the Franchisee represents and warrants that neither the Franchisee, nor any of its officers, directors or Guarantors has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

28.6 Survival

Any indemnity or any obligation of confidence under this Agreement is independent and survives termination of this Agreement. Any other term by its nature intended to survive termination of this Agreement survives termination of this Agreement.

28.7 Counterparts

This Agreement may be executed in counterparts. All executed counterparts constitute one document.

28.8 No merger

The rights and obligations of the parties under this Agreement do not merge on completion of any transaction contemplated by this Agreement.

28.9 Entire agreement

This Agreement constitutes the entire Agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the FDD, its exhibits and amendments.

28.10 Power of attorney

- (a) In consideration of the Franchisor entering this Agreement and to secure performance of the Franchisee of its obligations under this Agreement, the Franchisee irrevocably appoints the Franchisor and the directors of the Franchisor, together and separately, to be the attorneys of the Franchisee at any time after this Agreement has ended to exercise the powers under this Section 28.10.

- (b) The powers of each attorney may only be exercised after the termination or expiry of this Agreement.
- (c) The attorneys may do anything required to be done by the Franchisee which the Franchisee has not done or not done properly or promptly, which includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices or other instruments or from time-to-time appoint substitutes and revoke those appointments.
- (d) The powers granted to the Franchisor pursuant to this Section continue despite the end of this Agreement.
- (e) The Franchisee must ratify and confirm everything the attorneys or any substitute or substitutes lawfully do under this Section.
- (f) A statutory declaration by an attorney will be sufficient evidence of the entitlement to exercise the powers conferred by this Section.

28.11 Trustee

If the Franchisee enters into this Agreement as trustee of any trust:

- (a) the Franchisee will be liable both personally and as trustee under this Agreement;
- (b) the Franchisee warrants that it has full and valid authority pursuant to the trust instrument to enter into this Agreement and to grant security over any trust property;
- (c) the Franchisee charges all rights of indemnity which it has or will have from time to time against the trust fund or trust property and warrants that such rights of indemnity have not been excluded by the provisions of the trust deed or by any breach of trust or otherwise and that it will not release or otherwise prejudice such rights of indemnity; and
- (d) any breach of trust by the Franchisee as trustee will constitute a breach of this Agreement entitling the Franchisor to exercise all its rights under this Agreement.

28.12 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this Agreement and any transaction contemplated by it.

28.13 Severability

A term or part of a term of this Agreement that is illegal or unenforceable may be severed from this Agreement and the remaining terms or parts of the term of this Agreement continue in force.

28.14 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

28.15 Relationship

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that the Franchisee shall be an independent contractor; and that nothing in this

Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. At all times during the term of this Agreement and any extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from the Franchisor. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the Franchisor's behalf, or to incur any debt or other obligation in the Franchisor's name; and that the Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall the Franchisor be liable by reason of any act or omission of the Franchisee in its conduct of the ~~Body-Fit-Training~~BFT Franchise or for any claim or judgment arising therefrom against the Franchisee or the Franchisor.

28.16 Governing law

Unless otherwise then currently required by Applicable Law, this Agreement shall be governed by, interpreted and construed under the laws of the state of California, which laws shall be applied without giving effect to the principles of comity or conflicts of laws thereof, and which laws shall prevail in the event of any conflict of law. However, any law regulating the offer or sale of franchises, business opportunities or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently without reference to this Section 28.16.

28.17 Waiver of jury trial

ALL PARTIES TO THIS AGREEMENT KNOW AND UNDERSTAND THAT THEY HAVE A CONSTITUTIONAL RIGHT TO A JURY TRIAL. THE PARTIES ACKNOWLEDGE THAT ANY DISPUTE OR CONTROVERSY THAT MAY ARISE OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES HERETO WILL INVOLVE COMPLICATED AND DIFFICULT FACTUAL AND LEGAL ISSUES.

THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

THE PARTIES INTEND THIS WAIVER OF THE RIGHT TO A JURY TRIAL BE AS BROAD AS POSSIBLE. BY THEIR SIGNATURES BELOW, THE PARTIES PROMISE, WARRANT AND REPRESENT THAT THEY WILL NOT PLEAD FOR, REQUEST OR OTHERWISE SEEK TO HAVE A JURY TO RESOLVE ANY AND ALL DISPUTES THAT MAY ARISE BY, BETWEEN OR AMONG THEM.

28.18 Waiver of Punitive Damages

EXCEPT FOR THE INDEMNIFICATION OBLIGATIONS UNDER SECTION 17.2 HEREOF AND CLAIMS BASED ON UNAUTHORIZED USE OF THE TRADEMARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY FRANCHISOR CONFIDENTIAL INFORMATION OR FRANCHISEE CONFIDENTIAL INFORMATION, ALL PARTIES HERETO WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY,

TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE FRANCHISOR AND THE FRANCHISEE (AND/OR THE GUARANTORS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF THE DIRECT OR GENERAL DAMAGES IT SUSTAINS.

28.19 Acknowledgment by the Franchisee

To induce the Franchisor to sign this Agreement and to grant the Franchisee the rights under this Agreement, the Franchisee represents, warrants and acknowledges that:

- (a) the Franchisee has independently investigated the ~~Body Fit Training~~BFT franchise opportunity, including the current and potential market conditions and competitive factors and risks, and recognizes that, like any other business, the nature of ~~Body Fit Training~~BFT business will evolve and change over time;
- (b) an investment in a ~~Body Fit Training~~BFT franchise involves business risks that could result in the loss of a significant portion or all of the Franchisee's investment;
- (c) the Franchisee's business abilities and efforts are vital to the Gym's success;
- (d) obtaining and retaining Members for the Gym will require a high level of customer service and strict adherence to the ~~Body Fit Training~~BFT System and the Franchisor's standards, and the Franchisee is committed to maintaining Franchisor's standards;
- (e) except as set forth in the Franchisor's most recent FDD provided to the Franchisee or its representative, or as otherwise set forth in Schedules 3 and/or 4, the Franchisee has not received from the Franchisor, and is not relying upon, and Franchisor expressly disclaims making, any representation, warranty or guaranty, express or implied, as to the actual or potential volume, sales, income or profits of the Gym or any other ~~Body Fit Training~~BFT franchise;
- (f) any information the Franchisee has acquired from other ~~Body Fit Training~~BFT franchise owners, including information regarding their sales, profits or cash flows, is not information obtained from the Franchisor, and the Franchisor makes no representation about that information's accuracy.
- (g) the Franchisee has no knowledge of any representations made about the ~~Body Fit Training~~BFT franchise opportunity by the Franchisor, its Affiliates or any of their respective officers, directors, owners or agents that are contrary to the statements made in the Franchisor's most recent FDD provided to the Franchisee or its representative or to the terms and conditions of this Agreement;
- (h) in all of their dealings with the Franchisee, the Franchisor's officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between the Franchisee and them as a result of this Agreement are only between the Franchisee and the Franchisor;
- (i) it is relying solely on the Franchisor, and not on any Affiliates of the Franchisor, with regard to the Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, the Franchisor has made any statement or promise to the effect that the Franchisor's Affiliates guarantee the Franchisor's performance or financially back the Franchisor;
- (j) all statements the Franchisee and the Franchisee's officers, directors and Guarantors have made and all materials (including ownership information and descriptions of the Franchisee's ownership structure(s)) they have given the Franchisor in acquiring the rights under this

Agreement are materially accurate and complete and that they have made no material misrepresentations or material omissions in obtaining those rights;

- (k) the Franchisee has read this Agreement and the Franchisor's most recent FDD and understands and accepts that the terms and covenants in this Agreement are reasonable and necessary for the Franchisor to maintain its high standards of quality and service, and to protect and preserve the goodwill of the Trademarks;
- (l) the Franchisee has independently evaluated this opportunity, including by using its own business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement;
- (m) the Franchisee has been afforded an opportunity to ask any questions it has and to review any appropriate materials of interest to the Franchisee concerning the ~~Body-Fit-Training~~BFT franchise opportunity.
- (n) the Franchisee has a net worth that is sufficient to make the investment in the ~~Body-Fit-Training~~BFT franchise opportunity represented by this Agreement, and the Franchisee will have sufficient funds to meet all of the Franchisee's obligations under this Agreement;
- (o) any statements, oral or written, by the Franchisor or its agents before the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by the Franchisor, and the Franchisor's only representations, warranties and obligations are those specifically set forth in this Agreement or in the most recent FDD (including its exhibits and amendments) that the Franchisor delivered to the Franchisee or its representative. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained in this Agreement or such FDD;
- (p) the Franchisee acknowledges that it received a complete copy of this Agreement and all related attachments and agreements, each with all blanks filled in (except as otherwise provided in Section 12.1(e)), at least seven (7) full calendar days prior to the date on which this Agreement was executed. The Franchisee further acknowledges that it has received the FDD required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" ("FTC Rule") at least fourteen (14) full calendar days prior to the date on which this Agreement was executed;
- (q) the Franchisee understands that the Franchisor does not guarantee to provide a rate of return on investment or profit to the Franchisee and understands that profit or return on investment to the Franchisee depends upon its own effort and investment; and
- (r) the Franchisee has undertaken an independent investigation to confirm the accuracy of the above statements and understands that the Franchisor is proceeding with the execution of this Agreement with the Franchisee in reliance upon the above representations and warranties. If the Franchisee has falsely made any of the representations or warranties set forth in this Section 28.19, such shall constitute a false statement of the representations and warranties contained in this Agreement.

28.20 Special Conditions

- (a) The Franchisor and the Franchisee acknowledge that the Special Conditions form part of this Agreement; and
- (b) To the extent that any other provision contained in this Agreement will be in conflict with the Special Conditions, the Special Conditions will prevail.

[signature page to follow]

FRANCHISOR, FRANCHISEE and the owners of FRANCHISEE have respectively signed this **BODY-FIT TRAINING** BFT FRANCHISE Agreement effective as of the date the Franchisor signs below.

FRANCHISOR:

Body Fit Training USA, Inc.

Signature of director

←

Signature of director/secretary

←

Name of director

Name of director/secretary

Date

Date

FRANCHISEE:

Signature of _____
Title: _____

←

Signature of _____
Title: _____

←

Date

Date

GUARANTOR(S):

Signed by _____

Signed by _____

Date: _____

←

Date: _____

Signed by _____

Signed by _____

Date: _____
Signed by _____

←

Date: _____
Signed by _____

Date: _____

←

Date: _____

Schedule 1– Franchise Specific Information

Item:	
1.	Name and address of Franchisee:
2.	Name(s) and address(es) of Guarantor(s):
3.	Location of Gym: Maximum Membership:
4.	Exclusive Marketing Zone: The Exclusive Marketing Zone is outlined and shaded in blue in the map attached in Schedule 2.
5.	Commencement Date: The date that is the commencement date of the Gym Lease.
6.	Term: 10 years
7.	Renewal Term: 2 successive additional Terms of 5 years each commencing upon expiration of the initial Term.
8.	Business Name: Body Fit Training BFT
9.	Franchise Fee: \$50,000
10.	Marketing Launch Fee: \$15,000 subject to the following: (a) if the Franchisee agrees to use the Franchisor's preferred marketing agency, the Franchisor will contribute \$3,500 towards the \$15,000; or (b) if the Franchisee elects to use their own marketing agency (subject to the Franchisor's written approval acting reasonably), the Franchisee will be responsible for the full \$15,000.
11.	Minimum Local Area Marketing Spend: \$1,500 per month
12.	Renewal Fee: \$25,000
13.	Transfer Fee: \$5,000
14.	Service Fee: \$1,500 per month (where member number is less than 140) or six percent (6%) of Gross Revenue (when member number is equal to or exceeds 140) capped at \$3,500 per month.
15.	Initial Training Fee: \$1,500 for one attendee plus \$500 for each additional attendee (plus travel and accommodation expenses)
16.	Additional Training Fee: \$150 per hour plus the Franchisor's or Franchisor's representative reasonable travel, accommodation and food costs.
17.	Key Performance Indicators (KPIs): Minimum Member base in initial term of operation: Year 1 – 125 Members Year 2 – 150 Members

	Year 3 – 5 – at least 150 Members Renewal Terms – as agreed between the Franchisee and the Franchisor, but not less than the minimum Member base in Year 5 of the initial term. Implementation of effective local area marketing campaigns Minimum of 10 local area marketing campaigns per year (effective campaigns are outlined in Manual). Implementation of all group marketing plan initiatives 100% implementation of all network marketing initiatives as instigated by the Franchisor. Quality assurance Achieve 80% or above quality assurance score (as outlined in the Manual). Member experience Achieve 85% or above on Member experience evaluation score (as per Mystery Member programs outlined in the Manual). Trainer Management Deliver adequate Trainer training and development measured through feedback survey as outlined in the Manual, achieving more than 80% on all surveys. Benchmark Performance Achieve adequate performance benchmarked against other Body Fit TrainingBFT Franchises. Communication Timely response to all communication received from the Franchisor or Body Fit TrainingBFT HQ as specified in the Manual.
18.	Trademarks: BFT Serial No. 90353485 – Filed Date 12/2/2020  Serial No. 90353477 – Filed Date 12/2/2020 BODY FIT TRAINING Serial No. 88641919 – Filed Date 10/4/2019  Serial No. 88641913 – Filed Date 10/4/2019  Serial No. 88641923 – Filed Date 10/4/2019

19.	Gym Lease Information: Lessor Name: Lessee Name: Commencement Date: Term of Lease:
20.	Retention Amount: \$10,000
21.	Franchisor Administration Fee: \$150 per hour
22.	Annual Conference Fee: Between \$1,000 - \$2,000 plus GST per annum
23.	Designated Owner:
24.	Manager:
25.	Opening Date: The date the Body Fit Training BFT Franchise commences trade.
26.	Gym Selection Due Date: Three (3) months after the date of this Agreement.
27.	Gym Selection Retention Amount: 50% of the Franchise Fee.
28.	Site Start Up and Support Fee: \$150 per hour
29.	Minimum Annual Investment: \$1,500 per 12 months
30.	Restraint Period: • 2 years • 1 year • 6 months Restraint Area: • the within a 2-mile radius of any Body Fit gym operated by any Body Fit TrainingBFT Franchisee; • within Exclusive Marketing Zone; and • within a 2-mile radius of the Gym.

Schedule 2– Exclusive Marketing Zone Map

Schedule 3 – Representations

This Schedule 3 is to ascertain and document what representations the Franchisor has made to the Franchisee and/or Guarantors other than those contained in the Franchise Documents and FDD.

I, _____, in my capacity as _____ and on behalf of _____, and as guarantor in my own right, acknowledge that:

Has the Franchisor, the Franchisor's agents or the Franchisor's associates made any written or verbal representation to me, other than those written representations contained in the Franchisor's FDD?

☐ Yes ☐ No

If yes, please provide the details of the representation(s) below:

If yes, did you rely on these representation(s) when deciding to enter into the Franchise Agreement?

☐ Yes ☐ No ☐ Not Applicable

I, _____, in my capacity as _____ and on behalf of _____, and as guarantor in my own right, acknowledge that:

Has the Franchisor, the Franchisor's agents or the Franchisor's associates made any written or verbal representation to me, other than those written representations contained in the Franchisor's FDD?

☐ Yes ☐ No

If yes, please provide the details of the representation(s) below:

If yes, did you rely on these representation(s) when deciding to enter into the Franchise Agreement?

☐

Yes

☐

No

☐

Not Applicable

Schedule 4 – Special Conditions

Schedule 5 – Collateral Assignment of Lease

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, _____ (“**Assignor**”) hereby assigns, transfers and sets over unto [**Franchisor entity**], a _____ (“**Assignee**”), all of Assignor’s right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the “**Lease**”), respecting premises commonly known as _____ (the “**Premises**”). This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless and until Assignee takes possession of the Premises and assumes certain obligations of Assignor under the Lease pursuant to the terms hereof.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and its interest therein, and has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the Premises.

Upon the occurrence of any of the following:

(a) a default by Assignor under the Lease or the **Body Fit Training**[BFT](#) Franchise Agreement between Assignee and Assignor (collectively, the “**Franchise Agreement**”), or any document or instrument securing or relating to the Franchise Agreement, or

(b) the expiration (without renewal), cancellation or termination of the Franchise Agreement by Assignor or Assignee for any reason other than a default by Assignee,

Assignee shall have the right (but no obligation), exercisable upon delivery of written notice to Assignor and the lessor under the Lease, and is hereby empowered, to take possession of the Premises, expel Assignor from the Premises and acquire all of Assignor’s right, title and interest as tenant in, to and under the Lease. In such event, Assignor shall have no further right, title or interest in the Lease or the Premises and, except as expressly set forth in the Consent and Agreement of Lessor (which forms a part of this Collateral Assignment), shall remain solely liable to the lessor under the Lease for all rents, charges and other obligations owed under the Lease prior to the date upon which Assignee assumes possession of the Premises. For the avoidance of doubt, the events described in Subsections (a) and (b) above shall not, by themselves, result in Assignee’s assuming the Lease, unless Assignee provides written notice to Assignor and the lessor under the Lease exercising its rights hereunder.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement (and any extensions, amendments and renewals thereof), Assignor agrees that it shall exercise all rights and options to extend the term of or renew the Lease (each a “**Renewal Option**”) not less than thirty (30) days prior to the last day upon which such Renewal Option must be exercised, unless Assignee otherwise agrees in writing. Assignor shall send Assignee a copy of the notice of exercise concurrently with Assignor’s exercise of each Renewal Option. If Assignee does not otherwise agree in writing to Assignor’s refusal to exercise any Renewal Option, and if Assignor fails to exercise such Renewal Option, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such Renewal Option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal, provided that Assignee shall have no obligation to exercise such Renewal Option.

This Assignment shall inure to the benefit of Assignee and its successors and assigns and shall be binding upon Assignor and its heirs, personal representatives, officers, partners, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date set forth below.

Dated: _____, 20__

ASSIGNEE:

[Franchisor entity], a _____

By: _____

Print Name: _____

Title: _____

ASSIGNOR:

[Name]

By: _____

Its: _____

Notary for Assignor:

STATE OF _____)
) SS
COUNTY OF _____)

I HEREBY CERTIFY that on this _____ day of _____, 20____, before me, the subscriber, a Notary Public of the State of _____, personally appeared _____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

AS WITNESS my hand and notarial seal.

Notary Public

My Commission Expires: _____, 20____

Notary for Assignee:

STATE OF _____)
) SS
COUNTY OF _____)

I HEREBY CERTIFY that on this _____ day of _____, 20____, before me, the subscriber, a Notary Public of the State of _____, personally appeared _____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

AS WITNESS my hand and notarial seal.

Notary Public

My Commission Expires: _____, 20____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the “**Lease**” attached as Exhibit A hereby:

1. agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
2. agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within thirty (30) days after delivery by Lessor of notice thereof in accordance with paragraph (1) above;
3. consents to the foregoing Collateral Assignment of Lease and agrees that if Assignee takes possession of the premises demised by the Lease pursuant to the Collateral Assignment, Lessor shall recognize Assignee as tenant under the Lease from and after the date upon which Assignee assumes possession and provides notice thereof to Lessor. As a condition to exercising its right to take possession of the Premises and assume the Lease, Assignee shall pay to Lessor, within fifteen (15) days after taking possession, the past due base rent under the Lease that remains unpaid as of such date, up to a maximum of three (3) months’ base rent and excluding any past due percentage rent, late charges, interest, common area maintenance charges or other past due amounts owed under the Lease. Except as described in the preceding sentence, Assignee shall not be liable for any past due rents or other liabilities or obligations of Assignor under or in connection with the Lease prior to such date; and
4. agrees that, provided there are then no existing defaults under the Lease, Assignee may further assign the Lease to any person or business entity who shall agree to assume the tenant’s obligations under the Lease and, upon such assignment, Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

DATED: _____

ASSIGNEE:

LESSOR:

[Franchisor entity], a _____

By: _____

Print Name: _____

Title: _____

By: _____

Title: _____

EXHIBIT C
LIST OF FRANCHISED OUTLETS
(as of December 31, ~~2019~~2020)

~~None.~~

Active FLL LLC
408 N Andrews Ave
Fort Lauderdale, FL 33301
(954) 261-0661

EXHIBIT D
~~LISTS OF CURRENT AND~~ FORMER FRANCHISEES
(as of December 31, ~~2019~~)

~~Current Franchisees~~

None.*

~~*In late 2020, we entered into a Franchise Agreement with a franchisee named Active FLL LLC in Fort
Lauderdale, Florida, (954) 261-0661.~~

Former Franchisees

None.

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EXHIBIT F
FORM OF GENERAL RELEASE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer as well as on other occasions that we deem appropriate. We may, at our sole option, periodically modify the release.

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

• Body Fit Training USA Incorporated, a Delaware limited liability company (“**Franchisor**”); and

• _____ a
[resident of] [corporation organized in] [limited liability company organized in] _____
[(“**Franchisee**”)] [(“**Transferor**”)].

BACKGROUND:

A. Franchisor and [Franchisee] [Transferor] are parties to a Franchise Agreement dated _____ (the “**Franchise Agreement**”) regarding the operation of a “~~Body Fit Training~~**BFT**” Gym (also referred to as the “Franchised Business”);

B. Franchisor and [Franchisee] [Transferor] have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of _____ pursuant to Sections 7 and 19 of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, employees, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, and Franchisor’s performance thereunder, the relationship created by the Franchise Agreement, [all other agreements between either of the Transferors and any member of the Franchisor Group, the sale of franchises to the Transferor,] or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other

litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

[Note for California Release – add the following:

Except as set forth herein, Franchisee Group expressly relieves and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, Franchisee Group expressly acknowledges that this Release is intended to include in its effect without limitation, all claims described in this paragraph which Franchisee Group does not know or suspect to exist in its favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claims.]

[Note for Maryland Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Maryland Franchise Registration and Disclosure Law.”]

[Note for Minnesota Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Minnesota Franchises Law.”]

[Note for Washington Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Washington Franchise Investment Protection Act.”]

2. General Terms.

2.1. This Release will be binding upon, and inure to the benefit of, each party’s respective heirs, representatives, successors, and assigns.

2.2. This Release will take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax or pdf, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, will be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and will neither amend nor modify the terms hereof.

2.5 The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in California, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he/she/it might have to either the jurisdiction of or venue in those courts. This Release will be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California will prevail (without regard to, and without giving effect to, the application of California conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release will be binding on either party unless in writing and agreed to by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Body Fit Training USA Incorporated
Franchisor

[Franchisee] [Transferor]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ATTACHMENT A
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities

		4822 Madison Yards Way, North Tower Madison, WI 53705
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ATTACHMENT B
STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPL.CA.GOV.

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

Item 3, Additional Disclosure:

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

Item 5, Additional Disclosure:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

Item 6, Additional Disclosure:

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

Item 17, Additional Disclosures:

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

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN ATTACHMENT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure.

The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other

business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure.

Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

ATTACHMENT C
STATE-SPECIFIC ADDENDA TO FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

2. In addition, The Franchise Agreement is expressly amended by the following changes:

Section 12.6 of the Franchise Agreement is hereby amended by the addition of the following at the conclusion thereof: (f) “On the date the Franchisee’s Service Fee is due to the Franchisor, the Franchisee shall provide the Franchisor with a monthly reports of assets it has acquired, their purchase date and purchase price, the person or entity from whom each asset was acquired, the depreciated value of each asset, the identity of all persons and entities holding liens on each asset, the date of disposition of each asset and the date of the release of lien of each asset, as well as other information prescribed by the Franchisor in the Manual. The depreciation schedule for each asset shall be the schedule prescribed or approved by the

Franchisor in the Manual from time to time, which shall generally be the fastest depreciation schedule permitted under either Generally Accepted Accounting Principles or under the Internal Revenue Code.”

Section 19.2(h)(ii) of the Franchise Agreement is hereby amended by the addition of the following at the conclusion thereof: “Only a Transfer Notice which is written and delivered to the Franchisor by business courier or by receipted mail which includes all of the following information required by the California Franchise Relations Act will be accepted for purposes of Section 19.2(b)(1).

The Transfer Request shall be in writing, delivered to the Franchisor by business courier or by receipted mail and include all of the following:

- (1) The proposed assignee or transferee’s name and address.
- (2) A copy of all agreements related to the sale, assignment, or transfer of the Agreement, the Gym, the ~~Body-Fit-Training~~BFT franchise, or any change in its legal or beneficial ownership, corporate or other entity constitution, directorship or control.
- (3) The proposed transferee’s application for approval to become the successor Franchisee, if the transferee seeks to become the successor Franchisee. The application shall include all forms, financial disclosures, and related information generally utilized by the Franchisor in reviewing prospective new franchisees, if those forms are readily made available to the existing Franchisee. If the forms are not readily available, the Franchisee shall request and the Franchisor shall deliver the forms to the Franchisee.”

Section 19.2(h)(ii)(i) of the Franchise Agreement is hereby amended by the addition of the following: “The following additional conditions and procedures shall apply: As soon as practicable after the receipt of the proposed transferee’s application, the Franchisor shall notify, in writing, the Franchisee and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If the Franchisor’s then-existing standards for the approval of new or renewing franchisees are not readily available to the Franchisee when the Franchisee notifies the Franchisor of the Franchisee’s intent to sell, transfer, or assign the Franchise, the assets of the ~~Body-Fit-Training~~BFT franchise, or the controlling or noncontrolling interest in ~~Body-Fit-Training~~BFT franchise, the Franchisor shall communicate the standards to the Franchisee within fifteen (15) calendar days. Those standards may include requirements that the proposed transferee complete one or more interviews with the Franchisor’s executives, and/or a committee of such executives or of executives and franchisees, who may decide, among other things, whether the proposed transferee’s personality, interest, plans for the business, involvement in franchising or in competitive activities would make the proposed transferee a suitable ~~Body-Fit-Training~~BFT franchisee or owner of an interest in a ~~Body-Fit-Training~~BFT franchisee.

The Franchisor shall, within sixty (60) days after the receipt of all of the necessary information and documentation required above (a), or as specified by written agreement between the Franchisor and the Franchisee notify the Franchisee of the approval or disapproval of the proposed sale, assignment, or transfer. A proposed sale, assignment, or transfer shall be deemed approved, unless disapproved by the Franchisor in the manner provided herein. If the proposed sale, assignment, or transfer is disapproved, the Franchisor shall include in the notice of disapproval a statement setting forth the reasons for the disapproval.”

Section 20.4 is deleted is amended by the addition of the following at the conclusion thereof:

“If the Franchisee fails, refuses or neglects to obtain the Franchisor’s prior written approval or consent for any proposed transfer described in Section 19.2, the Franchisee shall have sixty (60) days from

the delivery of a notice of default by the Franchisor within which to cure the default of this Agreement. If the Franchisee believes it cannot reasonably cure a default while exercising diligent efforts within sixty (60) days, if the Franchisee notifies the Franchisor of its conclusion within fifteen (15) days after receiving the notice of default, and if the Franchisor delivers notice to the Franchisee that it concurs in the Franchisee's conclusion within thirty (30) days from the delivery of the notice of default, the Franchisee shall have an additional fifteen (15) days within which to fully cure that default. If all defaults identified in the notice are timely cured, this Agreement shall not be terminated absent a subsequent or previously undiscovered default results in a subsequent notice."

Section 21.2 is stricken and the following is substituted.

"Section 21.2 Franchisor's Option to Purchase.

Upon expiration or earlier termination of this Agreement, the Franchisor, in addition to any other remedies available under this Agreement or at law or in equity, may purchase the assets of the Franchisee's business for their depreciated value on the date of the notice. The date on which the purchase shall occur (the "Closing Date") shall be the day before the effective date of the termination or expiration as specified in the notice, or on such other date as the parties shall agree. The Franchisor shall not exercise this option unless it or its assignee can acquire the right to operate a business from the Gym following the Closing Date. The Franchisor shall, at its option, only purchase assets, including leasehold interests, that are delivered to the Franchisor. On the Closing Date, and, in the case of assets that are rented or leased, assets to which the renter or lessor has approved the sale to the Franchisor or its assignee on no more onerous terms than those under which the asset was rented or leased to the Franchisee.

Payments for the assets due from the Franchisor shall exclude all amounts the Franchisee and its Affiliates owe to the Franchisor and its Affiliates, including, but not limited to, all amounts owed to other creditors which have not been paid by the closing, any unpaid taxes, and any attorneys' fees incurred by the Franchisor or its affiliates in resolving or defending any disputes or claims arising out of the purchase of the assets. The purchase price shall be reduced to the extent that any asset is damaged. The Franchisee agrees that the Franchisor may also set off against the purchase price the Service Fees that would have been due to the Franchisor during the shorter of the remainder of the term of this Agreement or three (3) years.

Conditions for Closing

With respect to any contracts or leases, the Franchisee shall provide a list (including written copies, if applicable) of all such contracts or commitments and a statement of whether they are assignable. In addition, the Franchisee shall provide the Franchisor with the Franchisee's tax returns and financial statements for the last three (3) years, good standing certificates, a description of any litigation, pending claims, governmental actions, or disputes, and a description of any liens or encumbrances, mortgages. The purchase agreement related to the transaction will convey all of the purchased assets in good working order, free and clear of any liens, encumbrances, mortgages, pledges, covenants and restrictions, and will provide for customary representations and warranties, covenants, indemnities, escrow and/or holdbacks of the purchase price.

If the Franchisee has failed to provide the reports pertaining to its assets that are required by the second paragraph of Section 12.6, above, or if the Franchisee fails to provide the Franchisor or its assignee with evidence of clear title to each of the assets used in the operation of the business at the Gym location, the Franchisor or its assignee may assume control of all of the assets on the termination date established by the notice of default from the Franchisor delivered to the Franchisee or on the expiration date, and may defer making any payments to the Franchisee until the Franchisee has provided the Franchisor or its designee with all of the information specified by Sections 12.6 and the Manual and the conditions for closing. The

Franchisor may hold back or escrow any portion of the purchase price it believes is needed to protect against claims arising out of the Franchisee's operation of the ~~Body Fit Training~~BFT franchise.

At closing, the parties shall execute an asset purchase agreement, which will contain typical warranties, representation and schedules normally associated with the sale of substantially all of the assets of a business. The Franchisor and the Franchisee shall each be liable for their attorneys' and other professionals' fees associated with the transaction.

The Franchisee:

(Print Franchisee's Complete Individual or Entity Name)

By: _____

Name: _____

Title: _____

Date: _____

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

State Effective Dates

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

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

State	Effective Date
California	November 6, 2020 Pending
Illinois	See Separate FDD
New York	Pending

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

ITEM 23
RECEIPT

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

If Body Fit Training USA Incorporated offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state law in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Body Fit Training USA Incorporated does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency. (See Attachment A for a list of state administrators.)

The franchisor is Body Fit Training USA Incorporated at 5216 Corsa Avenue, Suite 100, Westlake Village, CA 91326. Its telephone number is 1.818.805.4139.

Issuance Date: ~~July 7, 2020, as amended October 9, 2020~~ June 21, 2021

The names, principal business address, and telephone numbers of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Jason Clark (National Sales Manager) Manager)	216A/208 Hall St Spotswood, Victoria, Australia 3015	61 433 387 187
Richard Burnet (Director and Co-CEO)	216A/208 Hall St Spotswood, Victoria, Australia 3015	61 435 007 003

I received a disclosure document dated ~~July 7, 2020, as amended October 9, 2020~~ June 21, 2021. The disclosure document included the following Exhibits and Attachments:

- Exhibit A - Financial Statements
 - Exhibit B - Franchise Agreement, and attachments
 - Exhibit C - List of ~~Franchise~~ Franchised Outlets
 - Exhibit D - ~~Lists~~ List of ~~Current and~~ Former Franchisees
 - Exhibit E - Operations Manual Table of Contents
 - Exhibit F - Form of General Release
 - Attachment A - List of State Administrators and Agents for Service of Process
 - Attachment B - State-Specific Addenda to Franchise Disclosure Document
 - Attachment C - State-Specific Addenda to Franchise Agreement
- State Effective Dates

(Prospective Franchisee's Signature)

(Date FDD was received and read)

(Prospective Franchisee's Printed Name)

KEEP THIS PAGE FOR YOUR RECORDS

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If Body Fit Training USA Incorporated does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency. (See Attachment A for a list of state administrators.)

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Exhibit E - Operations Manual Table of Contents
Exhibit F - Form of General Release

Attachment A - List of State Administrators and Agents for Service of Process
Attachment B - State Specific Addendum to Franchise Disclosure Document
Attachment C - State Specific Addendum to Franchise Agreement
State Effective Pages

(Prospective Franchisee's Signature)

(Date FDD was received and read)

(Prospective Franchisee's Printed Name)

SIGN AND RETURN THIS PAGE TO sales@~~bodyfittraining~~bodyfittraining.com.