FRANCHISE DISCLOSURE DOCUMENT

Circuit Works Holdings, LLC
a Delaware Limited Liability Company
2005 Main Street
Santa Monica, CA 90405
Telephone: **(310) 664-1017**
Website: www.circuitworksla.com
Email: franchising@circuitworksla.com

The franchisee will operate a studio offering circuit training and other fitness classes under the name Circuit Works at a single location.

The total investment necessary to begin operations ranges from $316,950 to $822,750. This includes $40,000-$45,000 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 Circuit Works Holdings, LLC at 2005 Main Street, Santa Monica, CA 90405; telephone: (310) 562-3208.

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

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

We use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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

Issuance Date: December 3, 2018

STATE COVER PAGE
CIRCUITWORKS HOLDINGS, LLC

Your state may have a franchise law that requires a franchisor to register or file with the state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION IN LOS ANGELES, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN LOS ANGELES, CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

4. THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT YOU.

5. YOUR SPOUSE MUST SIGN A DOCUMENT, SUCH AS A GUARANTEE, THAT MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN IF YOUR SPOUSE DOES NOT OWN ANY PARY OF THE FRANCHISE BUSINESS. IF YOU LIVE IN A COMMUNITY PROPERTY STATE, YOUR SPOUSE MAY BE LIABLE FOR YOUR FINANCIAL OBLIGATIONS EVEN IF HE OR SHE HASN'T SIGNED ANYTHING. IN EITHER CASE,

BOTH YOU AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, INCLUDING YOUR HOUSE, COULD BE LOST IF YOUR FRANCHISE FAILS.

6. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER O PERATING HISTORY.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California: ______________

In all states that do not have franchise registration and disclosure laws, the effective date is the same as the issuance date stated on the front cover of this franchise disclosure document.

TABLE OF CONTENTS

Page

Exhibits

COPIES OF RECEIPT

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN THE STATE SPECIFIC ADDENDA AT **EXHIBIT G**

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, "CW" or "we" means the franchisor, Circuit Works Holdings, LLC, a Delaware Limited Liability Company. "You" means the person who buys the franchise. If the franchisee is a corporation, partnership or other entity, "you" may also refer to its owners. Circuit Works Holdings, LLC is a Delaware Limited Liability Company that was incorporated on September 9, 2015. Our principal business address is 2005 Main Street, Santa Monica, CA 90405; telephone: (310) 562-3208. We do not have any predecessors or parents.

Our agents for service of process are disclosed in Exhibit B.

We do not operate a Circuit Works studio itself, but our affiliate, Circuit Works Santa Monica, LLC, has conducted the Circuit Works studio in Venice and then in Santa Monica, California, since October 2006. Circuit Works Santa Monica, LLC's principal place of business is 2005 Main Street, Santa Monica, CA 90405; telephone (310) 562-3208. CW franchises the right to franchisees to operate a Circuit Works studio at a single business location. The aim of the Circuit Works franchise program is to find the inner athlete in every client through circuit training classes that combines cardiovascular and resistance exercises. Our full body workout classes incorporate the latest and greatest in circuit training styles and equipment, including TRX cables, kettle bells, weight machines, resistance bands, free weights and plyometrics. CW and its affiliates are continuing to develop a line of merchandise and accessories including apparel, water bottles, and towels as part of your franchised business.

The general market for the services offered by a Circuit Works Studio is the general public interested in personal health and wellness. The market is developed and continues to grow.

In addition to laws and regulations that apply to businesses generally, you may be subject to health club regulations in your state, city or county. These regulations may include registration and bonding requirements and may require training to use and maintain safety equipment such as automated external defibrillators. You may have to pay a registration fee. Some states require training and certification in CPR - cardio pulmonary resuscitation. Among the laws that apply to businesses generally are those concerning employees and independent contractors. You should consult with your own advisors and the government agencies in your state for information on how these laws apply to you and how to structure your arrangements with your instructors and anyone who assists with your classes, and the impact of such arrangements.

Your competitors include other health and fitness programs and health clubs.

CW's affiliates do not offer franchises. Neither CW nor its affiliates have offered franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

Owner: Raphael Verela

Mr. Verela is the President and CEO of Circuit Works Holdings, LLC since its formation in June 2015. Mr. Verela has also been the majority owner and manager of Circuit Works Santa Monica, LLC in Santa Monica since its inception in October 2006.

Director of Operations: Katie Randall

Ms. Randall has been the Director of Operations at Circuit Works, LLC since its formation in 2015 and the General Manager of Circuit Works' affiliate Circuit Works Santa Monica, LLC, in Santa Monica, California since December 2015. From August 2012 to May 2015 Ms. Randall taught physical education and coached multiple sports at Our Lady of Mount Carmel in Santa Barbara, California. From September 2010 to March 2012, Ms. Randall was an Athletic Trainer's Assistant for Minot State University in Minot, North Dakota.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

Raphael Verela, d.b.a. Circuit Works Santa Monica, LLC, filed a petition for personal bankruptcy on February 13, 2015 in the U.S. Bankruptcy Court for the Central District of California (Case No. LA 2-15-bk-12187-RN). A discharge under Chapter 7 of the U.S. Bankruptcy Code was ordered effective May 26, 2015

Other than the matter described above, no bankruptcy information is required to be disclosed in this Disclosure Document.

ITEM 5

INITIAL FEES

Except as described below, franchisees pay a $35,000 initial franchise fee when they sign the Franchise Agreement for their first Circuit Works studio franchise. If you are an existing Circuit Works franchisee, your initial franchise fee for an additional location is $30,000. If you are (i) a qualified employee, (ii) a qualifying veteran honorably discharged from the U.S. Armed Forces (Navy, Marines, Army, Air Force, Coast Guard and National Guard) or if (iii) you are an active duty member of the U.S. Armed Forces on the effective date of the Franchise Agreement, we will reduce the initial franchise fee for your first center by 10%, and your fee will be 31,500.

The initial franchise fee is not refundable.

You will also pay CW or its affiliate for an initial inventory of Circuit Works brand products to be sold at your Circuit Works studio. We anticipate this cost will be approximately $5,000 to $10,000, and this cost is not refundable.

ITEM 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	Year 1: 6% of gross revenues Starting Year 2: The greater of 6% of gross revenues or $3,000 ("Monthly Minimum Royalty")	The 10th of each month	See Note 1
Advertising Fee	2% of gross revenues	Same as Royalty Fee	See Note 2
Local Advertising	Minimum amount that we designate, which amount will be between $2,500 to $4,000	As incurred with periodic monthly reports to us as requested	See Note 3
Additional Training Fee	$3,000 for each additional employee	Upon demand	See Note 4
Additional Assistance or remedial training fee	$750 per day	Upon demand	See Note 5
Transfer Fee	50% of the current initial franchise fee	Upon application to transfer	See Note 6
Renewal Fee	$5,000	Upon notice of renewal	See Note 7
Dishonored Payment Fee	$100 per returned check	Upon demand	See Note 8
Late Fee	2% per month	When payment or report is overdue	See Note 9
Audit Fees	Cost of audit, estimated to be $1,000 to $5,000	Upon demand	See Note 10

Name of Fee	Amount	Due Date	Remarks
Relocation Fee	$5,000	Upon Application to relocate	See Note 11
Indemnification	Payment of CW' losses and costs	Upon demand	See Note 12
Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 13

All fees are imposed by and are payable to CW, unless otherwise noted. CW may vary the frequency and method of payment. We may require you to pay fees via electronic withdrawal from your bank account. All fees are non-refundable.

Notes:

1. Gross revenues means all revenues you receive from the conduct of the franchised business (including any payments under your business interruption insurance coverage) deducting only amounts paid to any governmental tax authority and any refunds made in accordance with our policy. Starting year 2, if you pay only the $3,000 Monthly Minimum Royalty for 6 consecutive months or more, we have the right to terminate the Franchise Agreement upon notice with no opportunity to cure.

2. CW has initially set your percentage contribution to the advertising fund at 2% of gross revenues. All contributions are paid at the same time and in the same manner as the monthly Royalty Fee.

3. You must spend the minimum amount on local advertising that we designate which will not be less than $2,500 and no more than $4,000 per month for your Circuit Works studio. These amounts are in addition to your other advertising requirements.

4. CW does not charge a separate fee for providing initial training to you and two of your employees. You will be responsible for all of your and your employees' expenses to attend the training program, including any lodging, transportation and food. See Item 11.

5. We may charge a fee if you request additional training beyond the initial training required by the CW program. We may also charge a fee for additional training we may require you and your personnel to attend in the future. See Item 11.

6. The transfer fee is 50% of the then-current initial franchise fee if you are transferring to an existing Circuit Works franchise. If the transferee is not an existing franchisee, the transfer fee is 75% of the then-current initial franchise fee. You must pay the transfer fee to CW when you submit an application to transfer. CW retains this fee even if it does not consent to

the transfer. There are other conditions to your ability to transfer. See Item 17.

7. You must pay $5,000 when you send CW notice that you wish to renew. CW may retain this fee whether or not it grants your request to renew. You must be in good standing to renew. There are other conditions to renewal. See item 17.

8. CW may elect to collect monies from you via Electronic Funds Transfer (EFT). In the event of a returned check or insufficient funds within your EFT account, you must pay a fee of $100 per occurrence.

9. If you do not pay any amount when due, you must pay a late charge of 2% per month, not to exceed the maximum rate permitted by law.

10. You must pay the cost of an audit of your records by CW only if the audit shows an understatement of at least 2% of fees due for the period audited. The cost of the audit will vary depending on factor such as the amount of time that is the subject of the audit and the state of your records. This is only an estimate of the cost. CW may audit your records at any time without notice.

11. In the event you apply for approval from CW to move your Circuit Works training studio to a new location, a relocation fee of $5,000 will be charged to cover CW's costs to evaluate and provide site selection assistance.

12. You are required to defend CW and its affiliates and representatives and pay for any claims and losses to them resulting from the operation of your business.

13. If there is a dispute between us, the prevailing party will be entitled to reasonable attorney's fees and costs. If we obtain injunctive relief against you because you breach the Franchise Agreement's provisions concerning use of our trademarks, trade secrets or confidential information or if you do not comply with your obligations under the Franchise Agreement upon termination or expiration, you must also reimburse us for its attorney's fees and costs.

ITEM 7

ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment				
TYPE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
INITIAL FRANCHISE FEE	$35,000	Lump Sum	At signing of Franchise Agreement	CW
TRAVEL AND LIVING EXPENSES WHILE TRAINING (Note 1)	$1,500 - $3,000	As incurred	Upon purchase	Third party vendors - Airlines, hotels, etc.
LEASE, PERMITS, CONSTRUCTION & REMODELING (Note 2)	$150,000 - $600,000	As incurred	As incurred	Lessor, contractors, City, State
SIGNAGE	$3,500 - $7,500	As incurred	As incurred	Suppliers
ADDITONAL ATTENDEE TRAINING EXPENSES Note 3)	$3,000	As incurred	As incurred	CW
STUDIO EQUIPMENT (Note 4)	$40,000 - $65,000	As incurred	As incurred	Suppliers
FURNITURE, FIXTURES, & EQUIPMENT (Note 5)	$15,000 - $18,000	As incurred	As incurred	Suppliers
TECHNOLOGY (Note 6)	$2,000 - $2,500	As incurred	Before training	Suppliers
INVENTORY (includes nutritional supplements, t-shirts, water bottles and other branded merchandise) (Note 7)	$5,000 - $10,000	As incurred	As Incurred	Suppliers and CW
INSURANCE	$300 - $500	As incurred	Before training	Suppliers
ADVERTISING & MARKETING (Note 8)	$28,000 - $42,000	As incurred	Before opening	Suppliers

Your Estimated Initial Investment				
TYPE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
LEGAL FEES (Note 9)	$2,500 - $5,000	As incurred	Before signing	Attorney
INTERNETSERVICE PROVIDER	$150 - $250	As incurred	Before opening	Suppliers
MUSIC SERVICE	$1,000	As incurred	Before opening	Suppliers
ADDITIONAL FUNDS – 3 months (Note 10)	$30,000	Lump sum	Before opening	CW
TOTAL (Note 11)	$316,950 – $822,750			

All figures in Item 7 are estimates only. Actual costs will vary for each franchisee depending on a number of factors. The amounts payable to CW are nonrefundable unless otherwise noted. The refundability of other amounts depends upon your agreement with the applicable supplier or other party.

Notes:

1. This amount varies depending on how far you are from CW's main training center in Santa Monica, California. You may also be required to reimburse us for our costs if we travel to your franchise location to provide initial training.

2. If you do not already own suitable commercial space, the premises must be purchased or leased. We anticipate that most franchisees will lease the premises. The cost of leasing or purchasing space will vary, depending on location and other market factors, and cannot be accurately projected by us, as a result, the costs above may be lower or higher. For example, in highly desired business and commercial districts or when franchisees elect to lease spaces larger than our standard recommended space, rent might be higher. The initial investment assumes you will rent. If you purchase the premises, your initial investment will increase dramatically. You will need 2,600 – 3,600 square feet for your facility with approximately 1,500 square feet of studio area. This figure includes estimates related to remodeling, leasehold improvements, decorating and similar costs for a facility of up to 3,000 square feet. These amounts will be higher if your facility is larger. In certain markets, especially major metropolitan markets (e.g., New York, Los Angeles, San Francisco, Chicago), costs could be substantially higher due to prevailing market rates for labor and materials. The high estimated figures include

remodeling walls, ceilings, floors, and other construction including electrical, plumbing, HVAC and carpentry work. The low estimate assumes that the leasehold is in suitable operating condition immediately on your taking possession of the premises or that you already operate a health or fitness club at the site you are converting into a Circuit Works facility. Depending on the lease terms, your landlord might cover some of these costs. In our experience, the landlord will typically offer free rent for an initial period. This is not included in the estimate. You will need to adapt our prototype designs and plans for the building in which you will locate the facility in accordance with state and local building codes. You may not use your home or other residential property as your facility. If you lease the premises, we may require you and your landlord to sign an addendum to the lease for your facility, or another acceptable form of agreement, requiring the landlord to give CW written notice if you are in default of your facility lease and allowing us the option to assume the lease if you are in default. Your final location must be approved by us in writing, prior to signing a lease. We must review and consent to the physical layout of each facility. If you don't complete the build out of the facility in a reasonable time, CW may (but is not obligated to) complete the build out, all expenses of which will be paid or reimbursed by you. This estimate also takes into account estimate for permitting.

3. CW does not charge a fee for initial training of the franchise owner and two (2) employees, but there is a fee for each attendee in addition to that.

4. You are required to purchase the fitness equipment designated in the CW program for your studio. See Item 8.

5. You are required to purchase a stereo and speakers, music and music cases, wireless microphones, belt packs, a telephone system, a copier/printer/fax machine, trash cans, computer hardware and software and head-sets.

6. This amount includes software that you will be required to purchase or lease, including a monthly subscription to MindBody Online. This also includes a $200/month social media fee. See Item 8.

7. This figure includes the cost of CW branded products and other merchandise.

8. You must conduct a pre-sale grand-opening advertising program that we approve with a minimum cost of $20,000 to $30,000. In addition you must purchase marketing and advertising materials from CW for the opening of your studio. We estimate the cost of those materials to be between $8,000 - $12,000. See Item 11.

9. This figure includes CW's estimate of the cost for you to consult with independent legal and other professional advisors.

10. These miscellaneous start-up costs are CW's best estimate of such costs as salaries and working capital. You may have additional expenses in starting the business. They do not account for revenues during this time, nor do they include expenses for any other categories described above. CW bases its estimate of these expenses on its affiliate's experience.

11. These figures are estimates and CW cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how much you follow CW's methods and procedures, your skill, experience and business acumen, local economic conditions, the local market, competition, your clients and the number of classes you conduct. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

CW does not offer direct or indirect financing to franchisees for any items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

CW and its affiliate continue to develop a line of logo merchandise and accessories that are an integral part of the CW system. Therefore, you must purchase these items from CW, its affiliate or a designated supplier. CW or its affiliate will derive revenue as a result of your purchase of our logo merchandise and accessories.

All other equipment and services used in your business must meet our specifications and standards, which are described in documentation that will be provided to you. You must purchase them from suppliers designated by CW, or from suppliers that you select that meet CW' criteria for suppliers. In order to obtain CW' consent to a supplier, the following conditions must be met:

1. You must complete the Vendor Approval Request Form;

2. The supplier must demonstrate that it can supply an item or service meeting CW's specifications. This may mean providing CW with samples and allowing CW's representatives to inspect its facility;

3. The supplier must demonstrate its financial soundness and the reliability of its product or service;

4. The supplier or provider must maintain the insurance coverage CW requires and name both you and CW as additional insureds with the right to notice before modification or cancellation of coverage; and

5. If the item will bear CW's trademark, CW may require the supplier to sign a license agreement which may include a royalty payment to CW.

CW generally will notify franchisees of its approval or disapproval of a supplier within 14 days.

CW may notify you that the approval of a supplier is revoked at any time.

CW may also designate by brand-name equipment that you are required to use.

Only CW may operate a website or any Facebook, Instagram, Twitter, Snapchat, YouTube, LinkedIn or other social media platforms, sites or blogs for CW, any CW merchandise and the Circuit Works program. You may not develop, operate or participate in a website or any Facebook, Instagram, Snapchat, Twitter, YouTube, LinkedIn or other social media platforms, sites or blogs relating to the franchised business or using our marks.

You must obtain CW's approval of the lease for real estate from which you will conduct the franchised business. We may require you to include certain terms in your lease including a conditional lease assignment to us or our nominee if your Franchise Agreement expires or is terminated. The lease must also contain the following terms:

(1) Your right to assign the lease to CW or its nominee without the landlord's consent or a rent increase or penalty;

(2) The landlord's acknowledgement that you may not transfer or sublet without CW's consent;

(3) The landlord's consent to CW signage;

(4) The landlord's agreement to notify CW if you default;

(5) No change may be made to the lease without CW's consent;

(6) If the Franchise Agreement terminates or expires, the landlord's agreement that the lease will transfer to CW or its nominee immediately upon notice by CW without rent increase or penalty;

(7) The landlord may rely on CW's notice;

(8) The notice operates as an assignment, but does not include liability for your prior acts or omissions;

(9) The landlord may provide to CW, upon CW's request, all reports, information and data about the property;

(10) CW may enter the premises and make alterations after the expiration of termination of the Franchise Agreement; and

(11) CW is a third party beneficiary of the lease.

You must obtain the insurance coverage required by the Franchise Agreement from a carrier with a rating of at least A-. The required coverage currently includes worker's compensation insurance, including employer's liability, with limits as required by law, business interruption coverage and comprehensive general liability insurance, in the minimum amounts of $1,000,000 per occurrence and $2,000,000 in the aggregate, including premises liability, professional liability products and completed operations, personal and advertising liability and such other limits and coverage as CW may periodically require. The required coverage is subject to change.

CW does not derive any revenue or other material consideration from required purchases or leases by franchisees. CW does not negotiate purchase arrangements with suppliers for the benefit of franchisees, but we reserve the right to do so in the future.

CW does not provide material benefits to franchisees based on use of designated or approved suppliers.

CW estimates that the required purchases and leases described in this item will constitute approximately 90% of all purchases and leases you will incur to establish and operate the Circuit Works studio.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Section 1B	Items 8 and 11
b.	Pre-opening purchases/leases	Sections 1B, 3D, 3E, 4 and 7A	Items 5, 7 and 8

	Obligation	Section in Franchise Agreement	Disclosure Document Item
c.	Site development and other pre-opening requirements	Sections 1B, 2, 4 and 7A	Items 7 and 11
d.	Initial and ongoing training	Section 2	Item 11
e.	Opening	Section 1B(4)	Item 11
f.	Fees	Sections 1B(5), 1D(2)(d), 2A(3), 6, 9B, 14B(3)(f), 15 and 16J(4)	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Section 2B	Item 11
h.	Trademarks and proprietary information	Sections 5 and 10	Items 13 and 14
i.	Restrictions on products/services offered	Section 3	Item 16
j.	Warranty and customer service requirements	Section 3	Item 11
k.	Territorial development and sales quotas	Section 1A	Item 12
l.	Ongoing product/service purchases	Sections 3, 4 and 7A	Item 8
m.	Maintenance, appearance and remodeling requirements	Section 3	Item 11
n.	Insurance	Section 4	Item 8
o.	Advertising	Section 8	Item 6, 7 and 11
p.	Indemnification	Section 15	Item 6
q.	Owner's participation/ management/staffing	Sections 2A and 3	Item 15
r.	Records/reports	Section 7 and 9B	Item 6
s.	Inspections/audits	Section 9	Item 6
t.	Transfer	Section 14	Item 17
u.	Renewal	Section 1D	Item 17
v.	Post-termination obligations	Section 13	Item 17
w.	Non-competition covenants	Section 11	Item 17

	Obligation	Section in Franchise Agreement	Disclosure Document Item
x.	Dispute resolution	Section 16J	Item 17
y.	Other: Guarantee of Franchisee's obligations (Note 1)	Exhibit D to Franchise Agreement	Item 22

Notes:

(1) Each individual owner of Franchisee that is an entity must sign an agreement assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement.

ITEM 10

FINANCING

CW does not offer direct or indirect financing. CW does not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, CW is not required to provide you with any assistance.

Pre-Opening Obligations

Before you begin to conduct your Circuit Works studio, CW will provide:

(1) Evaluation of the location you propose for your Circuit Works studio. Within four months after signing the Franchise Agreement, you must select the location for your franchise business and obtain CW's consent to the location in writing. CW may decide to terminate the Franchise Agreement at any time after the four-month deadline. You must obtain this approval before signing a lease or contract for the site. You must also provide CW with a copy of the proposed lease for the site and obtain CW's written approval before signing the lease. In general, the factors which CW may consider in approving a location include the general location and neighborhood of the business, distance from neighboring franchise territories, proximity to major roads and residential areas, demographics, traffic patterns, parking, size, proximity of complementary businesses, physical characteristics of existing buildings and lease terms. (See Franchise Agreement, Section 1B(1) and 1B(2)).

CW will have 30 day to approve or disapprove your proposed location after you submit a proposal. Your lease must contain the provisions described in Item 8.

(2) Once you have selected your location and received approval from CW, CW will provide input on how to design and construct or renovate the facility as a Circuit Works studio. (See Franchise Agreement Section 1B(3) and 1B(4)).

(3) Assistance with, and delivery of any merchandise and equipment you purchase or lease from CW or its affiliates or approved suppliers. (See Franchise Agreement, Section 3D).

(4) Instruction and training in health and fitness, CW procedures, and the conduct of CW classes through manuals, classroom training and classes. (See Franchise Agreement, Section 2A) Before you open the franchised business, you, and if the manager of your CW studio is a different person, your manager must successfully complete our initial training program. The initial training lasts seven days and takes place at Circuit Works' flagship studio in Santa Monica, California, except as provided in the table below. In addition, all of your instructors must complete the Teacher Training program to our satisfaction. You will receive no compensation or reimbursement for services or expenses for participation in training. CW does not charge for training of the franchise owner and two (2) additional employees, but will charge a fee for each additional person. You will be responsible for all of your and your employees' expenses to attend the training program, including any lodging, transportation and food.

Following is information on the training program:

TRAINING PROGRAM			
SUBJECT	**HOURS OF CLASSROOM TRAINING**	**HOURS OF ON THE JOB TRAINING**	**LOCATION**
Introductions/paperwork/ procedures	4	0	CW Headquarters
Intranet file sharing procedures	1	0	CW Headquarters
Franchise business mode/entity types/goals	3	0	CW headquarters
Site build out	1.5	1.5	CW Headquarters
Finances	3	0	CW Headquarters
Franchise Services	1	0	CW Headquarters
Operations- license and permits	1	0	CW Headquarters
Office Set-up	1.5	1.5	CW Headquarters
Vendor selection	1	0	CW Headquarters
Competition	1	0	CW Headquarters

TRAINING PROGRAM			
SUBJECT	**HOURS OF CLASSROOM TRAINING**	**HOURS OF ON THE JOB TRAINING**	**LOCATION**
Hiring/role-playing interviews/Q&A	2	1	CW Headquarters
Opening the studio	1	1	CW Headquarters
Initial marketing/PR	2	0	CW Headquarters
Social Media Setup	2	0	CW headquarters
Grand opening prep	2	0	CW Headquarters
Daily Operations	1	1	CW Headquarters
Administrative Management	1	1	CW Headquarters
Purchasing, receiving, storing inventory	1	1	CW Headquarters
Closing the studio/nightly reconciliation	1	1	CW Headquarters
Employee training	.75	.75	CW Headquarters
Employee policies/legal	2	0	CW Headquarters
Safety/security	.5	.5	CW Headquarters
Cleaning and equipment maintenance/Q&A	0	1.5	CW Headquarters
Ongoing marketing efforts/PR	3	0	CW Headquarters
Ongoing social media	2	0	CW Headquarters
Brainstorm marketing/PR specific to franchisee location	2	0	CW Headquarters
Wrap up/Q&A/Feedback	1	0	CW Headquarters
Totals	**42.25**	**11.75**	

Training classes are held at the CW Headquarters in Santa Monica or such other location as we may designate and are held whenever necessary to train new franchisees.

Instructional materials provided include the Operations Manual and the Instructor Training Manual.

Each CW initial training instructor has at least 5 years of experience with CW.

All franchisees must attend initial training and complete it to CW's satisfaction.

All instructors must complete training.

All instructors must be trained by us and must complete the training to Franchisor's satisfaction prior to teaching any group fitness classes at your Circuit Works studio. Although we may provide some guidance, you make all final hiring decisions and are responsible for all employment decisions as the owner of the Circuit Works studio, including, but not limited to, employee selection, hiring, training, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline, and working conditions.

CW may also periodically require you and the Instructors at your Circuit Works studio to attend and complete to CW's satisfaction additional refresher training courses. CW may conduct these courses at the Circuit Works studio in Santa Monica or in another location. A course may last from one day to a week and may be offered as often as CW deems necessary. The content of these programs may range from refresher training to training on new fitness programs. CW may require the payment of a fee for these courses that may range from $1,250 to $1,750 per person.

(5) Provide you with digital access to the CW Operations Manual (See Franchise Agreement, Section 2B). A copy of the table of contents of the Operations Manual current as of the date of this Disclosure Document is attached as Exhibit E. The Operations Manual currently includes an Approved Instructor List that will be updated periodically.

Time Before Opening

The typical length of time between signing the Franchise Agreement and beginning to conduct classes depends on how quickly you sign a lease for a location. After you sign a lease it is typically approximately three (3) months before you begin to conduct classes. The factors that may affect this time period include your ability to locate a facility for your Circuit Works studio, your availability for training and the delivery of teaching equipment for your business.

Post-Opening Obligations

During the operation of your business, CW will:

(1) Provide periodic advice and consultation on the operation of your franchised business, communicate new developments, techniques, and improvements in services for the operation of your business (See Franchise Agreement, Section 2C).

(2) Review and approve or disapprove promotional and advertising materials you submit (See Franchise Agreement, Section 8B).

(3) Advise you of operating problems you may have, if any, that it discovers from its inspections (See Franchise Agreement, Section 9A).

(4) Administer the advertising fund (see below) and provide public relation activities and promotion of the CW program through various media (See Franchise Agreement, Section 8A).

(5) Provide additional training in the CW program if determined to be necessary by CW (See Franchise Agreement, Section 2A(4).

(6) Continue to develop Circuit Works branded merchandise and other products for sale to your clients (See Franchise Agreement, Section 3D(1)).

(7) CW may send its representative to monitor your classes to determine whether or not you (or the instructor who conducts your classes) are conducting them in a manner consistent with CW's system or it may monitor you and your instructors remotely (See Franchise Agreement, Section 9A).

CW does not provide assistance in the hiring of employees.

<u>Computer System</u>

We require you to purchase or lease the approved computer system to perform certain functions, some of which are to track: (a) daily revenues; (b) the number of class participants; (c) revenue generated per class; and (d) product sales. The cost of this system is approximately $3,500 in addition to an $80 monthly subscription fee for the MindBody Online software. You must also have high speed access to the Internet. CW may require you to purchase or lease tablet devices, such as an iPad, as well as other hardware and software. CW will have independent access to this information and be able to download it on a daily basis. There is no contractual limit on CW's right to do so.

Neither CW nor any affiliate or third party has a contractual obligation to provide ongoing maintenance, repairs, upgrades or updates for your computer hardware or software. CW or its affiliate may develop a proprietary software program for use in the CW System. If it does so, it may require you to use it and you may have to sign software license agreement and pay a license fee.

<u>Advertising Program</u>

CW administers an advertising fund to which you must contribute. You must contribute 2% of your gross revenues from the previous month to the advertising fund (see Item 6). All franchisees contribute at the same rate and we do not contribute to the advertising fund. CW may elect to disseminate advertising through television, radio, social media, and print media such as magazine, billboards, and newspapers. The media coverage will be local, regional, and national in scope. CW may use the advertising fund to employ an outside consultant or advertising agency to assist in the development, production and dissemination of advertising materials. CW may also use the advertising fund to develop promotional and advertising materials for your use. In addition, CW may provide sales training or printed material to assist you in selling Circuit Works merchandise. If CW provides sales training and materials to you, it may transmit them by various means including via videotape, digital recording, Internet or other electronic transmission. The advertising fund is unaudited and CW does not provide a periodic accounting of how fees are spent. Any fees not spent in the fiscal year will be used in the next fiscal year.

Local Advertising

You must spend a minimum of $2,500 per month on local advertising that we approve. However, we recommend that you spend at least $4,000 per month on local advertising. Promptly following our written request, you must submit a local advertising report reflecting all expenditures for the relevant period.

Grand Opening Advertising and Promotions

You must spend a minimum of $28,000 and up to $42,000 as we determine for a grand opening promotion for your studio starting at least 8 to 12 weeks before your studio opens and 30 days thereafter. These amounts are in addition to any other advertising obligations you have.

You may use your own advertising materials after they have been approved in writing by CW. It is CW's practice to advise you on whether or not it approves advertising material you propose within 30 days after you submit it.

As of the date this Disclosure Document was prepared, all franchisees are expected to contribute to the advertising fund at the same rate.

We may also develop discount programs, issue coupons and establish membership programs on a local, regional or national basis, and require you to participate.

Websites and Social Media

We have established a website at www.circuitworksla.com (the "Website"). We may elect to include a series of interior pages on our website identifying Circuit Works studios by address and telephone number. We may elect to include additional information about your studio on such interior pages. All information about your studio included on the Website is subject to our approval.

We have sole discretion over the design and content of the Website. You may not link to or use our website without our prior approval. We may also establish one or more social media sites and/or apps for smart phones or other mobile devices. You may not register a domain name or create or maintain a website or establish, operate or participate in any Facebook, Instagram, Twitter, YouTube, LinkedIn, Snapchat, or other social media platforms, sites, apps, or blogs related to the franchise business or using the marks without our prior written consent, which we can withhold in our sole discretion. You must comply with all social media policies that we establish from time to time.

We have no obligation to maintain the Website and are not responsible for any losses or damages caused by errors on the internet or breaches of the website.

ITEM 12

TERRITORY

The Franchise Agreement grants the right to operate a single CW studio within a protected territory to be approved by us. Your approved site must be located within a defined geographic area (the "Territory"). The actual boundaries of your Territory will range from a 0.5 to 3.0 mile radius surrounding your studio and will be determined based on a number of factors, which may vary from one location to the next, including: population density, income, traffic flow, number of businesses versus residences, number of competitors (including other CW studios), and other demographic and market factors. We will determine the Territory, which will be described in Exhibit A to the Franchise Agreement and depicted on a map attached as Exhibit A-1prior to execution of the Franchise Agreement. If the site for your CW studio is unknown when we enter into the Franchise Agreement, you must locate and secure an approved site within your Territory that is acceptable to us within 4 months from the effective date of the Franchise Agreement. We must approve the lease, sublease, or purchase agreement for the site, including any LOI, in writing before you sign it. If the location of your CW studio is secured after signing the Franchise Agreement, we have the right to adjust your Territory and amend the description of the Territory in Exhibit A based on the factors listed above.

We have the right to reconfigure your territory, which we may exercise in order to better reflect what we believe to be your center's target market after you establish your center's actual location, after you relocate your center, after a change to the geographic boundaries, zip codes, or demographic makeup of the area in which you have located your center, after our discovery of an inadvertent error in the creation of your territory, or after other events or for other reasons that may be additionally specified in our Manuals. If we reconfigure your territory, we will make commercially reasonable efforts to maintain a demographic makeup in the reconfigured territory similar to the makeup before the reconfiguration.

You do not have options or rights of first refusal to open any additional centers within the Territory or outside of it.

You may not relocate your studio or establish additional studios without our written approval. In general, the factors that we may consider in deciding whether to approve your request are demographic changes with respect to location of your studio, and the performance of your studio. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises or territories.

Except as described above, 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.

Your rights to the territory are not dependent on achieving a certain sales volume but if you are not in compliance with your franchise agreement we may have the right to operate or grant another person the right to operate in your territory.

CW reserves all rights that it does not grant to you. For example, CW reserves all rights to the use of its name, to promote CW services and to sell CW merchandise and other products using other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, except for any limited use for which CW may give you written permission. We also reserve the right to sell services or products using names, tradenames and service marks other than the Marks within or outside the Territory, to establish or allow others to establish a Circuit Works studio in alternative locations such as in hotels, malls, or larger fitness centers within or outside the Territory, and to merge with, acquire, or be acquired by any company that operates company-owned or franchised businesses that may compete with you within or outside the Territory. There are no restrictions on your ability to teach classes to students from outside of your non-exclusive territory, subject to any policies on membership and membership reciprocity among Circuit Works studios that CW may periodically adopt.

As of the date of this Franchise Disclosure Document, CW does not intend to establish other franchises or company-owned outlets to conduct a Circuit Works program or to sell similar services under a different trademark, but we reserve the right to do so.

ITEM 13

TRADEMARKS

CW grants you the right to conduct business offering a fitness program under the name "Circuit Works." You must also use other trademarks which we develop or prescribe to identify your business and its services and products. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business, its services and its products.

You must follow our rules when you use these trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which CW licenses to you. You may not use CW's trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by CW.

Following is a chart that presents registration information on the primary trademarks:

Registration Number	Description of Mark	Principal/ Supplemental Register	Registration Date

Registration Number	Description of Mark	Principal/ Supplemental Register	Registration Date
3288532	Circuit Works	Principal	August 15, 2006

You must notify CW immediately when you learn about an infringement of or challenge to your use of our trademarks. The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by the Franchise Agreement and if you are in good standing. You are required to assist CW in protecting any of its rights, at CW's expense.

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so.

If we decide to add a new trademark, or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense.

CW does not know of any infringing uses that could materially affect your use of its trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

CW's program and classes do not involve patents and CW owns no patents.

CW claims a copyright in the Operations Manual although it has not filed for copyright registration.

You must notify CW immediately when you learn about a challenge to your use of our copyrighted materials. CW will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement. You must assist CW in protecting any of its rights, at CW's expense.

If you learn about a third party's use of these copyrighted materials which you believe to be unauthorized, you must notify CW immediately. CW will decide whether or not to take action against the third party, and you must assist CW, at CW's expense, if we decide to do so. If CW decides to add, modify or discontinue the use of anything covered by a copyright, you must also do so at your expense.

CW does not know of any infringing uses that could materially affect your use of its copyrighted materials.

You also receive the right to use certain of our trade secrets and confidential information including CW sequencing of circuit training and equipment, marketing materials and client information.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require but recommend that you conduct on-premises management of your Circuit Works studio. If you do not personally manage your Circuit Works Studio you must designate a full-time on-premises manager who has successfully completed the initial training program and that we approve in our discretion. Only trained and certified Circuit Works Instructors included on the Approved Instructor List may teach classes at your Circuit Works studio. CW may amend the Approved Instructor List from time to time as necessary and you are responsible for ensuring that all of your instructors are Approved Instructors. The Approved Instructor List is included in the Operations Manual.

If Franchisee is an entity, all owners of the entity must personally guarantee the franchisee's obligations under the Franchise Agreement, including agreeing to be bound by, and personally liable for the breach of, every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the preservation of the confidentiality of our confidential information as defined in the Franchise Agreement and compliance with the covenants not to compete described in Item 17. The Guaranty and Assumption of Obligations that each owner must sign is attached to the Franchise Agreement as Exhibit D.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

CW requires that you offer and sell only those goods and services that CW has approved. Any request to sell slight variations of products such as snacks, bottled water, or sports drinks must be approved by CW in writing. You may not vary the fitness programs or routines that CW has developed, nor may you add to them. You are not allowed to sell any products or services under the CW name via the Internet or other electronic means.

You must offer all goods and services that CW designates as required for franchisees in the Operations Manual. It is important that the CW program be consistent and incorporate the same elements wherever it is taught. This benefits all of our franchisees. For example, if we develop a membership program in your area that allows customers to take classes at multiple Circuit Works studios, you must participate in that program.

CW may add new services or products that you may be required to offer. There are no limitations on CW's right to do so.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Section 1D(1)	10 years.
b.	Renewal or extension of the term	Section 1D(2)	If you meet certain conditions, you can enter into the then-current renewal Franchise Agreement for up to 3 additional term of 5 years.
c.	Requirements for franchisee to renew or extend	Section 1D(2)	You must sign new Franchise Agreement and pay Renewal Fee. This agreement may contain materially different terms and conditions than your original Franchise Agreement. You must also successfully complete re-training; sign a release, fulfill all your obligations and not have received 3 or more default notices in any 24 month period. Reason for termination must not exist. CW must not have decided to withdraw from your market. You must meet requirements for new franchisees.
d.	Termination by franchisee	None	Not Applicable

	Provision	Section in Franchise or Other Agreement	Summary
e.	Termination by franchisor without cause.	None	Not Applicable
f.	Termination by franchisor with cause.	Section 12	CW can terminate only if you default or if the events described in g and h, below, occur.
g.	"Cause" defined-defaults curable	Section 12B	You have 5 days to cure nonpayment and up to 30 days for other types of noncompliance.
h.	"Cause" defined-defaults non-curable	Section 12A	Noncurable defaults: bankruptcy, abandonment, your material misrepresentation to CW, conduct which reflects unfavorably on CW, noncompliance with law, intentional failure to report money collected, you repeatedly commit defaults under the Franchise Agreement (including paying only the Monthly Minimum Royalty for 6 consecutive months or more), repeated failure to comply with franchise requirements (including failure to follow the specific circuit training program), seizure by government official or lienholder, eviction by lessor for any reason, final judgment remains unsatisfied for 30 days, undischarged levy of execution on franchise, conviction of a felony or other criminal misconduct, danger to public health or safety, unauthorized transfer, termination of any other agreement with CW, your unauthorized use of trademarks or trade secrets, you fail to transmit to CW any health department report, a judgment of more than $5,000 against you remains unsatisfied for 30 days, unsatisfactory evaluation in follow-up monitoring of performance, you become a specially designated national or blocked person.

	Provision	Section in Franchise or Other Agreement	Summary
i.	Franchisee's obligations on termination/non-renewal	Section 13	Pay all unpaid amounts due to Franchisor or its affiliates, discontinue use of trademarks, and system, de-identify, return or destroy all inventory with CW's trademarks, return Operations Manual and other confidential information to CW, assist in smooth transition, refrain from soliciting customers or personnel, refrain from making disparaging remarks, re-assign to CW telephone and facsimile numbers and e-mail addresses, refrain from soliciting CW's personnel or customers, cancel fictitious business name statement, assist in transition of business and comply with all other requirements in the Operations Manual (also see r below).
j.	Assignment of contract by franchisor	Section 14A	No restriction on CW's right to assign.
k.	"Transfer" by franchisee – definition	Section 14B(2)	Includes transfer of Agreement, assets or Circuit Works studio or greater than 25% ownership interest in franchisee
l.	Franchisor approval of transfer by franchisee	Section 14B(1)	You are required to obtain CW's consent to all transfers.

	Provision	Section in Franchise or Other Agreement	Summary
m.	Conditions for franchisor approval of transfer	Section 14B(3)	You must be in good standing, the premises must meet CW's then-current standards; your lessor consents; transferee meets qualifications for new franchisees; the transferee must sign the then-current form of Franchise Agreement and guaranty, the transferee must successfully complete CW's training; you must pay transfer fee; you sign a general release; transferee's obligations to you are subrogated to obligations to CW; you must transfer all of your agreements with CW. If you want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Franchise Agreement (you remain responsible as well) and you must be the sole employee who conducts the franchise business.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14C	CW can match any offer for your business.
o.	Franchisor's option to purchase franchisee's business	Section 13D	CW has the option of acquiring your assets if the Franchise Agreement expires or terminates.
p.	Death or disability of franchisee	Section 14D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the franchise to a qualified buyer within 60 days.
q.	Non-competition covenants during the term of the franchise	Section 11A(1)	You may not be involved in any business similar to CW.

Provision		Section in Franchise or Other Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Section 11A(2)	No competing business for 2 years.
s.	Modification of the agreement	Section 16I	No modification without a writing signed by you and CW, except that CW may amend the Operations Manual.
t.	Integration/ merger clause	Section 16I	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 16J	Except for certain claims, all disputes must be arbitrated in Los Angeles County, California, subject to state law, after the parties have held settlement discussions.
v.	Choice of forum	Section 16J	All disputes must be arbitrated in Los Angeles County, California.
w.	Choice of law	Section 16J	California law applies (except for certain provisions), subject to state law and the Lanham Act.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The information included in this Item 19 contains performance results of the first Circuit Works studio that our affiliate, Circuit Works Santa Monica, LLC, owns and operates (the "Outlet"). This Outlet opened for business at 2005 Main Street, Santa Monica, California, in the Spring of 2012 after operating in Venice, California since 2006. The size and location of the Outlet is typical of a similar style work out studio located in a densely-populated urban center. Los Angeles and Santa Monica are among the largest cities in the world, and the Outlet is located in a high-density area of the city. The Outlet is located on a busy street near popular shopping and dining options and experiences heavy foot traffic daily. There are at least 8 other competitive work out studios within a 1.5 mile radius of the Outlet. You should consider these factors when considering the Gross Sales reported by Circuit Works Santa Monica, LLC and disclosed in this Item 19. Your results may differ significantly, particularly if your Circuit Works studio is located at a site surrounded by less density or less traffic, and or in a space that is not unique.

The figures below represent the historical Gross Sales from the Outlet as reported in our Circuit Works Santa Monica, LLC's financial report for the period January, 2015 to December, 2017. We have not audited this report for accuracy, for purposes of this Item 19, or for any other purpose. We have no assurances that Circuit Works Santa Monica, LLC used generally accepted accounting principles in preparing its report.

For purposes of this Item 19, "Gross Sales" means actual gross revenues. The term does not back-out costs of sales, costs of goods, operating expenses or other costs or expenses that must be deducted from this figure to arrive at a net income or net profit figure. You should conduct an independent investigation of the costs and expenses you may incur in operating your Circuit Works studio.

For purposes of this Item 19, "Outlet Square Feet" means the total square feet of the Outlet.

Outlet	Gross Sales: (see Note 1)	Years in Business	Outlet Square Feet	Population: 3-mile radius	Median Income: 3-mile radius
Santa Monica, CA	2015: $828,413.46 2016: $1,071,770.82 2017:$1,113,818.43	10	Approx. 1500 Square feet	118,471	$61,000

Note 1: The Outlet is located in a large and densely populated city and has been in operation for ten years. Your gross sales may be different based on your personal sales experience, the population density surrounding your studio, and the foot traffic near your studio location. The Outlet also does not pay any monthly royalty or advertising fees or other additional costs that you will pay while setting up your studio in the first year, such as, build-out expenses and additional pre-opening marketing expenses.

Other than as set forth above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised businesses. 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 franchise, however, we may provide you with the actual records of that business. 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 Raphael Verela at 2005 Main St., Santa Monica, California 90405, (310) 664-1017; the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

Systemwide Outlet Summary For Years 2015 to 2017

Column 1 Outlet Type	**Column 2 Year**	**Column 3 Outlets at Start of the Year**	**Column 4 Outlets at End of the Year**	**Column 5 Net Change**
Franchised	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Affiliate-Owned	2015	1	1	0
	2016	1	1	0
	2017	1	1	0

Column 1 Outlet Type	**Column 2 Year**	**Column 3 Outlets at Start of the Year**	**Column 4 Outlets at End of the Year**	**Column 5 Net Change**
Total Outlets	2015	1	1	0
	2016	1	1	0
	2017	1	1	0

Table No. 2

Transfers from Franchisees to New Owners (other than the Franchisor)
For Years 2015 to 2017

State	Year	Number of Transfers
California	2015	0
	2016	0
	2017	0
Total	2015	0
	2016	0
	2017	0

Table No. 3

Status of Franchised Outlets
For Years 2015 to 2017

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 New Outlets	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of Year
California	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 New Outlets	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of Year
Totals	2015 2016 2017	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0

Table No. 4

Status of Affiliate-Owned Outlets
For Years 2015 to 2017

Column 1 **State**	**Column 2** **Year**	**Column 3** **Outlets at Start of Year**	**Column 4** **Outlets Opened**	**Column 5** **Outlets Reacquired from Franchisee**	**Column 6** **Outlets Closed**	**Column 7** **Outlets Sold to Franchisee**	**Column 8** **Outlets at End of Year**
California	2015 2016 2017	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Total	2015 2016 2017	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1

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

Table No. 5

Projected Openings
As of December 31, 2017

State	**Franchise Agreements Signed but Business not Opened**	**Projected New Franchised Outlets in the Next Fiscal Year**	**Projected New Affiliate-Owned Outlets in the Next Fiscal Year**
California	0	2-5	0

State	Franchise Agreements Signed but Business not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate-Owned Outlets in the Next Fiscal Year
Total	0	2-5	0

CW's affiliate, Circuit Works Santa Monica, LLC operates a Circuit Works studio at the following location:

2005 Main Street
Santa Monica, CA 90405
(310) 562-3208

As of the date of this Disclosure Document, CW has no current or former franchisees.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C to this Franchise Disclosure Document are our audited financial statements as of December 31, 2016 and 2017.

ITEM 22

CONTRACTS

Attached are copies of the following agreements proposed for use in this state:

Exhibit D - Franchise Agreement

Exhibit B to Exhibit D – Spousal Consent

Exhibit D to Exhibit D – Guaranty and Assumption of Franchisee's Obligations

ITEM 23

RECEIPT

The last 2 pages of this Franchise Disclosure Document are receipt pages. Please insert the name of the franchise seller or sellers, and date and sign both copies. Make sure that you indicate all of the franchise sellers with whom you had substantive discussions about this franchise. Detach the last page and return it to us promptly upon execution. Retain the other copy of the receipt page for your records.

EXHIBIT A

EXHIBIT A

LIST OF STATE FRANCHISE ADMINISTRATORS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389

STATE	STATE ADMINISTRATOR
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651-296-4026
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140

STATE	STATE ADMINISTRATOR
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 605-773-4823
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051

STATE	STATE ADMINISTRATOR
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557

EXHIBIT B

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790
HAWAII	Hawaii Commissioner of Securities Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722
ILLINOIS	Illinois Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465
INDIANA	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333

STATE	STATE ADMINISTRATOR
	207-298-3671
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202 410-576-6360
MICHIGAN	Michigan Department of Commerce Corporations and Securities Bureau 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651-296-4026
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641
NEW YORK	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State Secretary of State's Office 2 South Salisbury Street Raleigh, NC 27601 919-733-3924
NORTH DAKOTA	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451
OREGON	Director Department of Insurance and Finance Same Address

STATE	STATE ADMINISTRATOR
RHODE ISLAND	Director, Rhode Island Department of Business Regulation 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166
SOUTH DAKOTA	Director of the South Dakota Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 605-773-4823
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001
VIRGINIA	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
WASHINGTON	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557

EXHIBIT C

EXHIBIT D

<u>**EXHIBIT D**</u>

FRANCHISE AGREEMENT

circuit works
www.circuitworksla.com

Circuit Works

FRANCHISE AGREEMENT

Table of Contents

Circuit Works

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is entered into as of this ___ day of ___________, ____, by and between Circuit Works Holdings, LLC, a California corporation (“**Franchisor**”) and ______________________________, a(n) ________________ (“**Franchisee**”), with reference to the following facts:

A. Franchisor has the right to operate and grant to others the right to operate an exercise and fitness business in accordance with proprietary practices and procedures (the “**Proprietary Information**”) compliant with a system relating to the establishment, development, operation and management of such an exercise and fitness business (the “**System**”);

B. Franchisor has the right to use and to grant others the right to use the trademarks, tradenames, service marks, designs, emblems, logos, slogans, copyrights, Trade Dress, Trade Secrets (as defined below), commercial symbols and other indicia now or hereafter used or intended to be used or hereafter used in connection with the System, and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body (the “**Marks**”); and

C. Franchisee wishes to obtain the right to use the System and the Marks in the operation of an exercise and fitness business (the “**Franchised Business**”), and Franchisor is willing to grant Franchisee a franchise to operate a Franchised Business upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of these premises and of the mutual covenants contained herein, the parties agree as follows:

1. GRANT OF RIGHTS

A. NON-EXCLUSIVE LICENSE

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, a non-exclusive license to use the Marks and the System solely in the operation of the Franchised Business at one (1) location within the Territory described in **Exhibit A** (the “**Territory**”) pursuant to all the terms and conditions of this Agreement.

B. SITE SELECTION AND OPENING

(1) Selection. Franchisee agrees and acknowledges that Franchisee is responsible for locating, obtaining financing for, securing appropriate zoning and permits for and equipping the site for the Franchised Business. Franchisee shall provide Franchisor with all relevant information concerning the proposed site including the zoning of the site, demographic information about the surrounding area, locations of any fitness and exercise businesses, traffic flow, parking, rent, size, layout and such other information as Franchisor may require. Franchisor will approve or disapprove the proposed site after it receives notice thereof and all relevant information. Franchisee shall identify and propose a site to Franchisor and obtain Franchisor's approval of a site within four (4) months after the date of this Agreement. In the event Franchisee does not obtain Franchisor's approval of a site during such four (4) month period, Franchisor shall, in addition to its other rights, have the right to terminate this Agreement.

(2) Lease. Franchisee shall provide Franchisor with a copy of the proposed lease for the Site promptly following receipt of such proposed lease. Franchisee shall not sign a lease or contract for the location without receiving Franchisor's prior written consent. Franchisee shall fully perform all obligations to be performed by Franchisee under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Franchisee in response to the notice. The lease or contract must contain such additional terms and conditions as Franchisor may require to provide for the protection of Franchisor's rights and interests, including but not limited to a conditional lease assignment in a form acceptable to Franchisor, and including the following:

(a) the absolute and unconditional right of Franchisee to assign its interest in the lease to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;

(b) the landlord's acknowledgment that Franchisee shall not assign or transfer the lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(c) the landlord's consent to Franchisee's use of such signage as Franchisor may require;

(d) the obligation of the landlord to notify Franchisor in writing of any default by the Franchisee of any of the terms and conditions of the lease;

(e) that no amendment, addition, or other modification or change be made to the lease without obtaining the prior written consent of Franchisor;

(f) that upon expiration or termination for any reason of the Franchise Agreement, Franchisee's rights under the lease shall, at the option of the Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;

(g) Franchisee's acknowledgment that the landlord may rely upon such notice and shall not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(h) that such notice shall, without further act or formality, operate as an effective assignment of Franchisee's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Franchisee under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord with respect to, any liabilities arising from or relating to Franchisee's actions, failure to act or defaults prior to the assignment of the lease;

(i) Franchisee's acknowledgment that the landlord shall, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the landlord's possession respecting sales made in, upon or from the demised premises;

(j) the landlord's acknowledgment that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason whatsoever, to enter the demised premises and to make any alterations in the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with Franchisor as required by the Franchise Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such re-entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the demised premises; and

(k) that Franchisor shall be a third party beneficiary under the lease.

Franchisee shall be responsible for all costs associated with the negotiation of the lease. All amounts spent by Franchisor to cure any breach by Franchisee of the lease for the site of the Franchised Business shall be due to Franchisor from Franchisee upon the Franchisor's written demand.

(3) Site Development. Franchisee shall develop the site in accordance with Franchisor's requirements. Franchisee shall be solely responsible for obtaining the architectural plans for the location. The architectural plans are subject to Franchisor's prior written consent. All signage at the Franchised Business site shall conform to Franchisor's specifications. Franchisor shall provide Franchisee with input on how to design and construct or renovate the site.

(4) Opening. Franchisee shall not open the Franchised Business until Franchisor has given its approval in writing. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to giving its approval. Franchisee shall satisfy the conditions to commencement of operations, including without limitation, the successful completion of training.

(5) Relocation. Franchisee may not relocate the Franchised Business, or open additional locations, without Franchisor's prior written consent. In the event

Franchisor consents to any relocation, Franchisee must pay Franchisor a relocation fee of Five Thousand Dollars ($5,000.00) to cover Franchisor's costs to evaluate and provide site selection assistance.

FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE SITE SELECTION PROCESS AND IN SITE DEVELOPMENT AND MAY HAVE REVIEWED INFORMATION ON THE SITE, THE LEASE, AND OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED BUSINESS, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE, OR THE SUCCESS OR PROFITABILITY OF THE BUSINESS TO BE OPERATED AT SUCH LOCATION.

C. FRANCHISOR'S RESERVATION OF RIGHTS

Except as explicitly and specifically granted to you herein, we reserve all rights in and to the Marks, the System, and the goodwill associated with each of them, including, without limitation, our rights to:

(1) franchise and establish company-owned and affiliate-owned Circuit Works studios outside the Territory;

(2) establish, operate and franchise the system or any other programs, products and/or services under trade names, trademarks, service marks, or logos other than the Marks within or outside the Territory;

(3) sell or provide services and products, whether or not part of the System, using the Marks or other names, trademarks and service marks, other than primarily at a Circuit Works studio, within or outside of the Territory. Specifically, without limitation, we or an affiliate have the right to offer services and products directly to customers on the Internet;

(4) establish and operate, or license any other person the right to establish and operate, a Circuit Works studio at any alternative location including but not limited to, hotels, malls, shopping centers, universities or as part of larger fitness facilities, at any location inside or outside the Territory; and

(5) merge with, acquire, or be acquired by any business, including a company that operates company-owned or franchised businesses that compete with you, even if one or more of those competing businesses operates in your Territory.

D. TERM AND RENEWAL

(1) Term. The term of this Agreement shall begin on the date it is executed by Franchisor and shall continue for ten (10) years, subject to earlier termination as provided herein (the "**Initial Term**").

(2) Renewal. Subject to compliance with each and every one of the conditions set forth below, Franchisee shall have the option to renew the right to operate the Franchised Business for up to three (3) additional, consecutive periods of five (5) years each (a "**Renewal Term**"):

(a) Franchisee must sign Franchisor's then-current form of Franchise Agreement which may contain terms that are materially different from those set forth in this Agreement; and

(b) At the expiration of the Initial Term or preceding Renewal Term, as applicable, Franchisee must be in full compliance with this Agreement, and all other contracts between Franchisee and Franchisor and its affiliates, and in particular, must have paid all sums owing to Franchisor and its affiliates as and when due; and

(c) Franchisee's Franchised Business must meet Franchisor's then-current requirements or Franchisee must make all expenditures deemed necessary by Franchisor to update the Franchised Business' equipment, signage and decor to reflect Franchisor's then-current requirements and image; and

(d) Franchisee must pay to Franchisor all unpaid amounts plus a renewal fee equal to Five Thousand Dollars ($5,000.00); and

(e) Franchisee must execute and deliver a general release of Franchisor, and its affiliates and associates, officers, directors, shareholders, employees, agents and representatives in a form acceptable to Franchisor; and

(f) Franchisee and all instructors must successfully complete any retraining or refresher training course Franchisor may require; and

(g) Franchisee shall not have received three (3) or more notices of default during any twelve (12) month period during the Initial Term or preceding Renewal Term, as applicable; and

(h) Franchisor must not have decided to withdraw from Franchisee's Territory; and

(i) Franchisee must have the right to occupy the premises of its Franchised Business for the Renewal Term.

Franchisee shall notify Franchisor no later than ninety (90) days prior to the expiration of the Initial Term or the preceding Renewal Term, as applicable, if Franchisee wishes to enter into a renewal Franchise Agreement with Franchisor at the expiration of the Initial Term or preceding Renewal Term, as applicable. Franchisee shall have no right to enter into a renewal Franchise Agreement with Franchisor if Franchisee fails to do so or if Franchisee fails to comply with each of the conditions set forth above in a timely manner or if Franchisee fails to return to Franchisor any documents within thirty (30) days after Franchisor has delivered them to Franchisee.

2. TRAINING AND OPERATING ASSISTANCE

A. TRAINING

(1) Franchisor shall furnish to Franchisee an initial training program (the "**Initial Training**") during such period as Franchisor designates. The Initial Training may be furnished at Franchisor's affiliate's Circuit Works studio in Santa Monica, California or at another location designated by Franchisor in its discretion. Franchisor may also designate a third party authorized to provide Initial Training to Franchisee. Franchisee shall be responsible for all direct and indirect costs and expenses incurred by its personnel and shall reimburse, or at Franchisor's option advance, all direct and indirect costs and expenses incurred by Franchisor's personnel (e.g., including all travel, living expenses and wages). Franchisee, as well as Franchisee's general manager and any other full-time employees, must complete the initial training program to the sole satisfaction of Franchisor. All instructors that will teach Circuit Works classes must complete teacher training ("**Teacher Training**") as set forth in the Operations Manual, to the sole satisfaction of Franchisor before participating as group fitness instructors at your Circuit Works studio (the "**Approved Instructors**"). Only Approved Instructors may teach group fitness classes at your Circuit Works studio.

(2) Franchisor shall have the right, during the initial training program, to further evaluate a Franchisee's fitness to operate under this Agreement. No person shall be permitted to conduct any part of the Franchised Business until such person has completed the initial training program to Franchisor's satisfaction. In the event Franchisee fails to complete the initial training program to Franchisor's satisfaction, Franchisor shall have the right to terminate this Agreement.

(3) Franchisee shall not be charged an additional fee for initial training for Franchisee and two (2) additional employees of Franchisee. Franchisor shall charge three thousand dollars ($3,000) for each additional person that attends initial training.

(4) Franchisor may require Franchisee and the Instructors to attend refresher and additional training courses from time to time and Franchisee acknowledges that there may be a fee charged for such training.

(5) Franchisee shall be responsible for all travel and living expenses, if any, that Franchisee and Instructors may incur in connection with initial or refresher training.

B. MANUAL

Franchisor will provide Franchisee with digital access during the term of this Agreement to a copy of Franchisor's proprietary and confidential operations manual which Franchisor may amend from time to time, containing mandatory specifications, standards, operating procedures and rules for the System (the "**Manual**"). All such specifications, standards, operating procedures and rules prescribed from time to time in the Manual, or otherwise communicated to Franchisee in writing, shall constitute requirements of this Agreement and shall be kept confidential by Franchisee. Franchisee will not at any time copy any part of these materials, disclose any information contained in them to others or permit others access to them. Franchisee acknowledges and agrees that the Manual may be modified from time to time to reflect changes in the standards of authorized services or the System; provided, however, that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. All modifications to the Manual shall be binding upon Franchisee thirty (30) days after notification to Franchisee of such modification. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee's own cost. The Manual will contain proprietary information belonging to Franchisor and Franchisee acknowledges that the Manual is, and shall remain, the property of Franchisor. All references herein to the Agreement shall include the provisions of the Manual and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establish and maintain a common identity. Franchisee agrees and acknowledges that full compliance with each and every detail of the System and the Manual is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the Franchised Business in accordance with the System and the Manual can cause damage to all of the other parties described above, as well as to Franchisee. Consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of Franchisee's business.

C. PERIODIC ADVICE AND CONSULTATION

Franchisor shall, from time to time, to the extent it deems necessary, furnish Franchisee advice or consult with Franchisee on the operation of the Franchised Business in order to communicate new developments, techniques and services. If Franchisor determines that the Franchised Business is not being run correctly or if Franchisor determines at its discretion for a business reason such as the introduction of a new service or product, Franchisor may require Franchisee and such personnel of Franchisee as Franchisor may designate to attend and successfully complete refresher training courses at such locations and for such periods of time as Franchisor may designate. Franchisee shall be responsible for all direct and indirect costs and expenses incurred by Franchisee in connection therewith (e.g. including all travel and living expenses and wages), and for all direct and indirect costs and expenses incurred by Franchisor (e.g. including all travel and living expenses and wages).

3. OPERATION BY FRANCHISEE

A. CONDITION AND APPEARANCE

Franchisee agrees:

(1) to devote substantially full time to operating the Franchised Business;

(2) that neither the Franchised Business nor its premises will be used for any purpose other than the operation of the Franchised Business in compliance with this Agreement;

(3) to maintain the condition and appearance of the Franchised Business and equipment in accordance with Franchisor's standards as specified in the Manual, and consistent with the image of the Franchised Business as a clean, sanitary, attractive, and efficiently operated business offering professional and courteous service;

(4) to maintain the Franchised Business and its premises as is required by the Franchisor from time to time to maintain such condition, appearance, and efficient operation, including, without limitation:

(a) continuous and thorough cleaning and sanitation of the interior and exterior of the Franchised Business;

(b) interior and exterior repair of the Franchised Business;

(c) maintenance of equipment at peak performance;

(d) replacement of worn out or obsolete improvements, fixtures, furnishings, equipment and signs with approved improvements, fixtures, furnishings, equipment and signs; and

(e) periodic painting and decorating.

(5) to place or display on the Franchised Business' premises and equipment utilized in the Franchised Business only such signs, emblems, lettering, logos and display only such advertising materials that are from time to time approved in writing by Franchisor and to display all advertising materials required by Franchisor.

B. ALTERATIONS TO FRANCHISED BUSINESS PREMISES

Franchisee shall not make any material replacements of or alterations to the Franchised Business premises, or to any improvements, layout, fixtures, and furnishings, signs, equipment, or appearance thereof or other elements of the Trade Dress, as defined below, without the prior written consent of Franchisor.

C. SERVICES

(1) Franchisee shall offer to customers all products and services, and only those products and services, designated by Franchisor from time to time, and shall provide such products and services strictly in accordance with the standards and specifications described in the Manual.

(2) Franchisee shall at all times provide prompt, courteous, friendly and efficient service to all customers. Franchisee shall in all dealings with all customers and the public, adhere to the highest standards of honesty integrity, fair dealing and ethical

conduct. Franchisee agrees not to deviate from the standards, specifications and operating procedures set forth in this Agreement and the Manual in order to ensure uniformity and quality of services offered to the public under the Marks.

D. PURCHASE OF PRODUCTS; APPROVED SUPPLIERS

(1) Franchisee shall purchase any and all merchandise, and any and all other materials or equipment required or used in the operation of the System only from (a) manufacturers, suppliers or distributors from time to time designated in writing by Franchisor, (b) such other suppliers selected by Franchisee and approved by the Franchisor in the manner and subject to the conditions set forth in subsection (2) below; or (c) from Franchisor or its affiliate, if available. Franchisee agrees and acknowledges that certain proprietary products and items used in the Franchised Business that are integral to the System including, without limitation, Circuit Works brand fitness apparel (including, without limitation, towels, t-shirts, water bottles, and heart rate monitors), may only be available from Franchisor or its designated supplier. In particular, and not in limitation of the foregoing, Franchisee agrees and acknowledges that Franchisor has developed and will continue to develop Circuit Works brand merchandise and other products for sale to Franchisee's clients.

(2) Franchisor may, in its sole discretion, approve suppliers selected by Franchisee provided the following conditions are first met:

(a) Franchisee shall submit a written request to Franchisor for approval of the supplier;

(b) The supplier shall demonstrate to Franchisor's satisfaction that it is able to supply an item to Franchisee meeting Franchisor's specifications for such item, including but not limited to, providing Franchisor with samples and the opportunity to inspect its facilities from time to time;

(c) The supplier shall demonstrate to Franchisor's satisfaction that the supplier is of good standing in the business community with respect to its financial soundness and the reliability of its product or service;

(d) The supplier shall obtain, maintain and submit to Franchisor proof of, sufficient insurance coverage (including, but not limited to, product liability coverage) at limits and including coverage acceptable to Franchisor, and include Franchisor and Franchisee as additional named insureds with the right to receive at least thirty (30) days' prior written notice of any modification, cancellation or termination of such policy; and

(e) In the event an item to be supplied is required to bear one of the Marks, such supplier must execute a license agreement (which may include a royalty payment) in a form acceptable to Franchisor.

(3) Until and unless Franchisor notifies Franchisee in writing that it has approved a supplier, Franchisee must continue to purchase from the parties described in subsection (1) above.

(4) If Franchisor determines that a previously approved supplier no longer conforms to such standards, it shall so notify Franchisee and Franchisee shall thereupon discontinue making purchases from supplier.

E. DESIGNATED BRAND-NAME EQUIPMENT

Franchisor shall have the right to designate by brand name the equipment and accessories that the Franchisee is required to use in the operation of the Franchised Business.

F. SPECIFICATIONS, STANDARDS AND PROCEDURES

Franchisee acknowledges that each and every detail of the appearance, supplies utilized, services offered, Franchised Business premises, and other elements of trade dress in the operation of the Franchised Business (the "**Trade Dress**") is important to Franchisor and the System. Franchisee shall comply with all mandatory specifications, standards and operating procedures relating to (i) the type and quality of the services offered by the Franchised Business; (ii) the appearance, color, indicia and signage of the Franchised Business premises; (iii) appearance of Instructors and employees (iv) cleanliness, standards of services, and operation of the Franchised Business; (v) submission of requests for approval of materials, supplies, distributors and suppliers; and (vi) safety procedures and programs prescribed by Franchisor. Franchisee also agrees to use all equipment, signage and services as have been approved for the System from time to time by Franchisor. Mandatory specifications, standards, and operating procedures may be prescribed from time to time by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, including, without limitation, procedures regarding handling customer complaints. All references herein to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

G. SUPERVISION; DUTY TO DILIGENTLY CARRY OUT OBLIGATIONS

The operation of the Franchised Business shall be under the direct supervision of Franchisee or a full-time manager that has successfully completed the initial training program and been previously approved in writing by Franchisor. If Franchisee is an entity, the operation of the Franchised Business shall be under the direct supervision of a principal of Franchisee that has successfully completed initial training program and been previously approved in writing by Franchisor.

H. SYSTEM CHANGES

Franchisee acknowledges that the System must continue to evolve in order to reflect changing markets and to meet new and changing business demands, and that accordingly variations and additions to the System may be required from time to time in order to preserve and enhance the public image of the System. Accordingly, Franchisee agrees that the Franchisor may, from time to time, upon notice, add to, subtract from or otherwise modify or change Franchisee's obligations under the System, including, without limitation, changes reflecting Franchisor's adoption and use of new or modified Marks, services, equipment and new techniques. Franchisee agrees promptly to accept and implement all such additions, modifications and changes at Franchisee's sole cost and expense (e.g., changing signs, destroying or recalling advertising and promotional items). Franchisee agrees and acknowledges that if Franchisee develops any component of the System which Franchisor permits or adopts for use in the Franchised Business, such component will belong to Franchisor and Franchisee shall have no right or interest in such component, except only the right to use it as long as this Agreement is in effect and as long as Franchisor retains such item as part of the System.

I. COMPLIANCE WITH LAW AND GOOD BUSINESS PRACTICES

(1) Prior to beginning operations, Franchisee shall secure in Franchisee's name as the owner of an independent business all required licenses, permits and certificates relating to Franchisee's operation of the Franchised Business in the Territory. Franchisee acknowledges that such licenses, certificates and permits may require the payment of security deposits and other fees. Franchisee shall maintain all such licenses, permits and certificates in full force and effect throughout the term of this Agreement.

(2) Franchisee shall operate in full compliance with all applicable laws, ordinances and regulations, including, without limitation, occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes.

(3) Immediately upon receipt of any citation, notice, complaint or other indication that Franchisee has violated any law or regulation, Franchisee shall immediately notify Franchisor and transmit copies of all such citations, notices, complaints or other such indications. Franchisee shall immediately take any and all action necessary to correct such violation.

4. INSURANCE

Before beginning to operate the Franchised Business, Franchisee must procure all insurance required by Franchisor from an insurer or insurers that meet Franchisor's criteria and which have a minimum Best's Rating of A- or other comparable rating. The required coverage currently includes worker's compensation insurance, including employer's liability, with limits as required by law, business interruption coverage and comprehensive general liability insurance, in the minimum amounts of $1,000,000 per occurrence and $2,000,000 in the aggregate, including premises liability, professional liability products and completed operations, personal and advertising liability and such other limits and coverage as Franchisor may periodically require. Franchisee shall maintain such insurance coverage in full force and effect during the entire term of this

Agreement. Franchisee shall cause Franchisor and any of its affiliates that Franchisor specifies to be named as additional insureds in all such policies. In addition, all such policies shall provide for thirty (30) days' prior written notice to Franchisor of any material modification, cancellation or expiration of a policy. Upon request, Franchisee shall provide Franchisor with a certificate evidencing coverage. Franchisee also acknowledges that Franchisor may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, or other relevant changes in circumstances.

5. TRADE SECRETS

Franchisee acknowledges that there is information disclosed by Franchisor pursuant to this Agreement, during the initial training program, in the Manual and otherwise (including, without limitation, the Proprietary Information, Circuit Works training, methods of service, sources and suppliers of equipment and, in general, methods, techniques, formulas, formats, specifications, standards, procedures, know-how, information systems and knowledge of the System and the entire contents of the Manual), that is proprietary, confidential or a trade secret of Franchisor ("**Trade Secrets**"). Franchisee agrees to maintain the absolute confidentiality of all such information during and after the term of this Agreement and agrees not to use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall not make copies of such information or divulge such information to any other person. Franchisee shall require any other person involved in Franchisee's Franchised Business who will have access to any confidential information or Trade Secrets to sign a confidentiality agreement in a form acceptable to Franchisor.

6. FEES

A. INITIAL FRANCHISE FEE

Franchisee shall pay to Franchisor an initial franchise fee of Thirty-Five Thousand Dollars ($35,000.00) payable upon execution of this Agreement. The initial franchise fee is deemed to be fully earned immediately upon payment, and is nonrefundable.

B. ROYALTY FEE

Commencing on the date Franchisee first opens the Franchised Business to the public and for a period of one (1) year thereafter Franchisee shall pay to Franchisor a royalty equal to six percent (6%) of Gross Revenues with respect to each calendar month or portion thereof during such one (1) year period. Thereafter, Franchisee shall pay to Franchisor the greater of (i) six percent (6%) of Gross Revenues or (ii) Three Thousand Dollars ($3,000) (the "**Monthly Minimum Royalty**"), with respect to each calendar month or portion thereof commencing on the date that is one (1) year after the

Franchisee first opens Franchised Business to the public and continuing during the term of this Agreement (the "**Royalty Fee**"). **"Gross Revenues"** means the total of all cash, credit or other payments paid to Franchisee on account of the operation of the Franchised Business, and Franchisee's right to use the Marks, including without limitation revenues from all services performed and from sales of products, and excluding only sales taxes actually paid to governmental authorities and customer refunds made in good faith and in accordance with Franchisor's policy.

C. <u>ADVERTISING FEE</u>

Franchisor has established an advertising fund (the "**Advertising Fund**") to which Franchisee is required to contribute two percent (2%) of Gross Revenues with respect to each calendar month or portion thereof during the term of this Agreement (the "**Advertising Fee**"). This percentage is subject to adjustment by Franchisor from time to time, in Franchisor's discretion, based on Franchisee's Gross Revenues and advertising needs.

D. <u>DUE DATE</u>

Franchisee shall pay the Royalty Fee and the Advertising Fee on or before the tenth (10^{th}) of each calendar month with respect to the immediately preceding month, as required by the Franchisor. Payments shall be made by electronic funds transfer, and Franchisee shall execute and deliver such instruments as are necessary and appropriate to effect such transfers. Franchisor shall have the right to vary the frequency of the due date (e.g., from monthly to twice a month or weekly) and the method of payment from time to time. The Royalty Fee and Advertising Fee are non-refundable.

E. <u>NONPAYMENT</u>

If Franchisor does not receive Franchisee's Royalty Fee, Advertising Fee or any other payment hereunder by the dates they are due, Franchisee acknowledges that, in addition to exercising all other rights and remedies that Franchisor has, Franchisor may terminate this Agreement.

F. <u>CHARGE ON LATE PAYMENTS</u>

In addition to all other rights and remedies that accrue to Franchisor, late or overdue payments shall bear interest after the due date at the rate of two percent (2%) per month, not to exceed the highest applicable rate allowed by law. Franchisee acknowledges that this provision does not constitute agreement by Franchisor to accept such payments after they are due or a commitment to extend credit to Franchisee, or otherwise finance such amounts.

G. <u>DISHONORED PAYMENT FEE</u>

In the event any payment by Franchisee is made by check and is returned to Franchisor for insufficient funds, or if Franchisor is notified that there are insufficient funds available in Franchisee's account to make a required payment by electronic funds transfer, Franchisee will be assessed a dishonored payment fee of One Hundred Dollars ($100.00) in addition to all other applicable late fees and charges.

H. NO WITHHOLDING OF PAYMENT

Franchisee agrees that Franchisee will not, on the grounds of the alleged nonperformance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

I. APPLICATION OF PAYMENTS; RIGHT OF OFFSET

Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee.

7. REPORTING AND RECORD KEEPING

A. COMPUTER SYSTEM

Franchisee shall purchase or lease and install a computer system, including a point of sale and reservation system, which meets or exceeds Franchisor's specifications (including, without limitation, the ability to track: (a) daily revenues; (b) the number of class participants; (c) revenues generated per class; and (d) product sales) ("**Computer System**"). Franchisor or its affiliate may develop a proprietary software program for use in the System, which Franchisor may also require Franchisee to use. Franchisee further agrees to execute a software license agreement and pay license fees in connection with any software Franchisor develops or requires Franchisee to use. Franchisee understands and agrees that both technological and operational developments may require Franchisee to upgrade or replace components of, or the entire, Computer System and any software during the term of this Agreement. Franchisee will upgrade, replace or expand the Computer System and any software as required from time to time by Franchisor. Franchisee acknowledges that Franchisor will have access to the information on the Computer System and any software and will be able to download it on a daily basis. Franchisee shall have high speed access to the Internet. Franchisor may require Franchisee to purchase or lease tablet devices, such as an iPad, as well as other hardware and software to ensure that Franchisee is maximizing the amount of time spent training and to reduce the risk of user-errors in tracking such information. Franchisee acknowledges that neither Franchisor nor any of its affiliates is obligated to provide ongoing maintenance, repairs, upgrades or updates for the Computer System.

B. RECORD KEEPING

Franchisee shall use such bookkeeping and record keeping procedures as shall fairly reflect the Gross Revenues, receipts and reports, costs of labor, semi-variables, fixed costs and advertising, and the financial results of the Franchised Business, and also such reports as may be more particularly described in the Manual. Franchisee shall maintain an accounting system approved by Franchisor which fully and accurately reflects all aspects of the Franchised Business conducted under this Agreement and which is compatible and consistent with the System.

C. REPORTS

With each payment of the Royalty Fee and Advertising Fee, Franchisee shall also deliver to Franchisor a Gross Revenues report on a form designated or approved by Franchisor. Within thirty (30) days after the close of each calendar quarter and within one hundred twenty (120) days after the close of each fiscal year of Franchisee during the term of this Agreement, Franchisee shall provide to Franchisor a Gross Revenues report, profit and loss statement and, for the annual statement, a balance sheet, on such forms as Franchisor may require, prepared in accordance with U.S. generally accepted accounting principles. Franchisee shall also submit to Franchisor such other financial and non-financial reports and information as Franchisor may request. These statements and reports shall be certified as true and correct by Franchisee. Each such report shall be in the form and present the information required by or described in the Manual.

D. REQUIRED DISCLOSURE

Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the Franchised Business, including without limitation, earnings, costs or other financial performance information. Franchisee agrees that Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor's request.

8. ADVERTISING

A. ADVERTISING EXPENDITURES

Franchisee agrees and acknowledges that the Advertising Fee may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds and may be deemed an asset of Franchisor. Franchisor will administratively segregate the Advertising Fund on its books and records. Franchisor will use the Advertising Fund for the purpose of promoting the System as a whole and increasing the goodwill of the Marks. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, producing materials for use in connection with such advertising and marketing. Franchisee understands, acknowledges and agrees that all decisions regarding advertising and marketing, including without limitation the type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor and shall be final and binding. Franchisee agrees and acknowledges that all costs of the formulation, development and production of any advertising and promotion (including without limitation the proportionate compensation of Franchisor's employees who devote time and render services in connection with such advertising and promotional programs or the administration, accounting and collection of the Advertising Fees) will be paid from the Advertising Fund. Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to Franchisee's Advertising Fees in the market area of the Territory, nor does Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising.

B. APPROVAL OF ADVERTISING

All advertising copy and other materials Franchisee proposes to use shall be in strict accordance and conformity with the standards, formats and specimens set forth in the Manual. Franchisee shall submit the proposed advertising material to Franchisor in advance of publication and shall use only such advertising copy and materials as have been approved in writing by Franchisor. Franchisee agrees and acknowledges that the copyright for any advertising or other materials that Franchisee develops for the Franchised Business shall be deemed automatically assigned to Franchisor without any further action by the parties required.

C. PRE-OPENING ADVERTISING

Franchisee acknowledges and agrees that adequate pre-opening advertising is essential to the success of the Franchised Business and agrees to conduct such advertising in connection with the opening of Franchisee's Franchised Business in accordance with Franchisor's directions and assistance and set forth in the Operations Manual.

D. LOCAL ADVERTISING

In addition to the Advertising Fee and conducting pre-opening advertising and promotions, Franchisee shall allocate and spend on local advertising a minimum of $2,500; however Franchisor recommends that Franchisee spend at least $4,000 per month on local advertising. All local advertising must be approved by franchisor in its sole discretion.

E. DISCOUNTS AND COUPONS; MEMBERSHIP PROGRAMS

From time to time, as part of the advertising and promotional activities conducted by the Franchisor, Franchisor may institute discount programs and issue coupons. Franchisee agrees to accept such coupons from customers and to redeem them in accordance with the Franchisor's policies then in effect and to participate in such discount programs. In addition, Franchisor may from time to time institute membership programs on a local, regional or national basis, and Franchisee shall participate in such programs if required by Franchisor. However, such programs shall in no way affect Franchisee's right to establish its own price.

F. WEBSITE, SOCIAL MEDIA

Franchisee shall not register a domain name, or create or maintain a website or establish, operate or participate in any Facebook, Instagram, Snapchat, Twitter, YouTube, LinkedIn or other social media platforms, sites or blogs related to the Franchised Business or using the Marks without Franchisor's prior written consent, which consent may be withheld in Franchisor's sole discretion. Franchisee acknowledges that it may not publicity mention or discuss the Franchised Business, Franchisor or the System without Franchisor's prior written consent. Franchisee agrees and acknowledges that Franchisor has the right to review all on-line content involving the Marks or the System, and to require Franchisee to remove any content or usage, in Franchisee's sole discretion. Franchisee shall comly with all social media policies that Franchisor establishes from time to time, and Franchisee's employees must do so as well. Franchise acknowledges that Franchisor has no obligation to maintain the website and is not responsible for any loss or damages caused by errors on the internet or breaches of the website.

G. NO FIDUCIARY DUTY

Nothing in this Section or anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision.

9. INSPECTION RIGHTS

A. TIMING AND SCOPE

Franchisor and its representatives shall have the right, at any time, with or without notice, to monitor and observe the conduct of the Franchised Business for the purpose of determining compliance with the requirements of this Agreement, for conducting quality assurance audits which may include mystery customers, customer surveys and for any other purpose connected with the System. Franchisor will advise Franchisee of problems it discovers as a result of such activities or other reports.

B. RECORDS

Franchisor's representatives shall have the right at all times during normal business hours to confer with employees and customers of the Franchised Business, and to inspect and audit Franchisee's books, records and tax returns, or such portions thereof as pertain to the operation of the Franchised Business. All such books, records and tax returns shall be kept and maintained for at least three (3) years after their creation at the premises where Franchise maintains the Computer System in the Territory or such other place as may be agreed to from time to time in writing by the parties. If any such inspection or audit reveals that the Gross Revenues reported in any report or statement are less than the actual Gross Revenues ascertained by such inspection, then Franchisee shall immediately pay Franchisor the additional amount of Royalty Fees and Advertising Fees owing by reason of the understatement of Gross Revenues previously reported, together with interest as provided in Section 6F above. In the event that any report or statement understates Gross Revenues by more than two percent (2%) of the actual Gross Revenues ascertained by Franchisor's inspection, Franchisee shall, in addition to making the payment provided for in the immediately preceding sentence, and in addition to any other remedies and rights Franchisor may have, pay and reimburse Franchisor for any and all reasonable expenses incurred in connection with its inspection and audit, including, but not limited to, reasonable accounting and legal fees and travel expenses, room and board and compensation for Franchisor's representatives. Such payments shall be without prejudice to any other rights or remedies Franchisor may have under this Agreement or otherwise.

10. MARKS AND TRADE DRESS

A. OWNERSHIP OF MARKS AND GOODWILL

Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the Franchised Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that Franchisor has the right to use and sublicense the use of the Marks pursuant to a license agreement between it and its affiliate, Raphael Verela that owns the Marks (the "**License Agreement**"). Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, the License Agreement or Franchisor's rights and use in connection therewith, Raphael Verela's ownership or use of, application for, or registration of, or the validity or enforceability of, any of the Marks. Franchisee also agrees not to acquire or use any trademarks that are similar or identical to the Marks. Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of Raphael Verela or his designee.

B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS AND TRADE DRESS

If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall not use any of the Marks or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, service marks, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the Franchised Business without the prior written consent of Franchisor, or as expressly permitted in the Manual.

C. DEFENSE OF TRADEMARKS

(1) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or of any of Franchisor's or its affiliate's copyrights in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks and copyrighted material in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(2) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, or is using any of Franchisor's or its affiliate's copyrights, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event the Franchisor undertakes such action, it shall have the authority and power of attorney to defend or settle such action. Franchisee agrees to render such assistance as Franchisor shall reasonably demand to carry out the prosecution of any such action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

D. COPYRIGHT

Franchisee acknowledges that Franchisor and/or its affiliate has developed, and may further develop during the term of this Agreement, certain artistic designs, exercise routines or configurations, and certain other word combinations and other materials designated for use by Franchisee. Franchisee acknowledges that Franchisor and/or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement.

E. DISCONTINUANCE OF USE OF TRADEMARKS

If it becomes advisable at any time in Franchisor's sole discretion for Franchisee to modify or discontinue use of any Mark or any items of Trade Dress or use one or more additional or substitute marks or items, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Mark or item of Trade Dress and to accept, use and display such additional marks or items of trade dress within a reasonable time after notice thereof by Franchisor but in no event more than thirty (30) days after receiving notice from the Franchisor. Franchisor shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such addition, modification or discontinuance.

11. COMPETITION

A. FRANCHISEE'S COVENANT NOT TO COMPETE

(1) Franchisee acknowledges that Franchisor could not protect the Trade Secrets against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among owners of Franchised Businesses if Franchisee held interests in any competitive business. Franchisee acknowledges that Franchisor grants the rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, Franchisee shall not at any time during the term of this Agreement, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business involving or related the fitness and exercise field, or any similar business.

(2) In addition, for two (2) years after the termination or expiration of this Agreement, Franchisee shall not carry on, be engaged in or advise in the establishment or operation of any business involving or related to the fitness and exercise field or similar businesses described in subsection (1) above except (a) pursuant to Franchise Agreements with Franchisor, or (b) if Franchisee is not then a party to any other Franchise Agreement with Franchisor, only at a site that is at least ten (10) miles from any Franchised Business (including Franchisee's former Franchised Business) that is operating or being developed. Franchisee agrees and acknowledges that this restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but is rather to protect the goodwill and interest of Franchisor and the System.

B. ACTIVITIES OF OTHER PERSONS

The activities of Franchisee's immediate family, Franchisee's owners, officers, directors, shareholders, trusts, trustees, subsidiaries, parent companies, partners, agents and employees or any enterprise in which any of them owns, directly or indirectly, any equity interest (except for investments totaling less than one percent (1%) of the stock of publicly held corporations), for purposes of this Section 11, shall be deemed to be activities of Franchisee. Upon Franchisor's request, Franchisee shall obtain the signature of any such persons on a non-disclosure and non-competition agreement in a form acceptable to Franchisor. Franchisee shall use its best efforts to cause such other persons to observe the terms of those agreements.

12. TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

A. WITH NOTICE AND NO OPPORTUNITY TO CURE

This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Franchisee:

(1) becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Franchisee within ninety (90) days;

(2) abandons the Franchised Business by failing to operate it for five (5) consecutive business days or for any shorter period in such circumstances that render reasonable the conclusion that Franchisee does not intend to continue operating the Franchised Business, unless such failure is due to disaster or similar reasons beyond Franchisee's control;

(3) has made any material misrepresentation or omission in the application for the Franchised Business or in any report that Franchisee submits to Franchisor pursuant to this Agreement;

(4) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor or the System, or if any principal of Franchisee is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(5) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Franchisee's rights or obligations under this Agreement;

(6) is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(7) makes any unauthorized use of the Marks or Trade Secrets or makes any duplication or disclosure of any Trade Secrets including but not limited to any portion of the Manual;

(8) fails on three (3) or more separate occasions during the term of this Agreement to pay on a timely basis any fees payable hereunder or otherwise fails to comply with this Agreement (including, by way of illustration and not in limitation of the foregoing, without limitation failure to follow the Circuit Works training when teaching classes), whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(9) shall at any time have the Franchised Business or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the franchise granted hereunder or the goods and chattels of Franchisee;

(10) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations applicable to the operation of the Franchised Business;

(11) intentionally under-reports its Gross Revenues to Franchisor;

(12) fails to transmit to Franchisor immediately upon receipt any report from any health department or comparable agency in connection with the Franchised Business;

(13) if a judgment against Franchisee in the amount of more than Five Thousand Dollars ($5,000.00) remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(14) if Franchisor determines, in its sole discretion, that continued operation of the Franchised Business by Franchisee will result in imminent danger to public health or safety;

(15) if the United States government designates Franchisee or any person mentioned in Section 11B hereof a "specially designated national" or "blocked person;"

(16) receives an unsatisfactory evaluation from Franchisor in follow-up monitoring of the Franchised Business; or

(17) pays only the Monthly Minimum Royalty for six (6) consecutive months or more during the term of this Agreement.

B. WITH NOTICE AND OPPORTUNITY TO CURE

This Agreement shall terminate upon Franchisee's failure to cure any of the following, each of which is deemed to be "good cause":

(1) noncompliance with any requirement in this Agreement not listed in Subsection A above within thirty (30) days after notice thereof is delivered to Franchisee; or

(2) failure to make payments to Franchisor for any amounts due within five (5) days after notice thereof is delivered to Franchisee.

C. NO WAIVER

The description of any default in any notice served upon Franchisee shall in no way preclude the Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

D. ENFORCEMENT

Franchisee acknowledges that the decision to enforce or not to enforce compliance with its rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

13. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Franchisee agrees to pay Franchisor immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and all other amounts owed to Franchisor or its affiliates which are then unpaid.

B. MARKS

After the termination or expiration of this Agreement, Franchisee will:

(1) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, any imitation thereof or other indicia of the Franchised Business in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association, or former connection or association, with the Franchisor;

(2) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or a principal thereof the items destroyed) all inventory bearing any Marks;

(3) refrain from engaging in a competing business as provided in Section 12 above;

(4) stop using the Marks and the System and return to Franchisor all copies of the Manual and all other proprietary and confidential information, including, without limitation, customer lists;

(5) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, web sites and the like that are associated with the Franchised Business and cooperate with Franchisor in causing all applicable telephone companies and other service providers to reassign such numbers and addresses to Franchisor or its nominee including, without limitation, signing telephone transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(6) refrain from soliciting clients or personnel of the Franchised Business, and turn over all customer information and data to Franchisor;

(7) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(8) assist in the smooth transition of the business to any successor franchisee;

(9) refrain from making any disparaging comments regarding Franchisor;

(10) take such steps as are necessary to change the décor, signage, flooring, fixtures, furniture and equipment and other elements of décor and Trade Dress so that the premises no longer resemble the Franchised Business; and

(11) comply with all further requirements set forth in the Manual.

C. <u>CONTINUING OBLIGATIONS</u>

All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including without limitation, Sections 5, 10, 11 and 15, shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

D. <u>OPTION TO PURCHASE</u>

Upon termination or expiration of this Agreement, Franchisor or its nominee shall have the option, exercisable for sixty (60) days following the effective date of termination or expiration, to purchase the assets of the Franchised Business. The purchase price for the assets will be the fair market value as determined by the parties. If the parties are unable to agree upon the fair market value of the assets, they shall jointly select an independent appraiser to do so. Franchisee and Franchisor shall each pay one-half (½) of the cost of appraisal. The fair market value of the assets shall be determined without giving effect to goodwill. Franchisor may deduct any amounts Franchisee owes to Franchisor, any liabilities relating to the assets, and, if Franchisor has not complied with the requirements of this Agreement to upgrade and renovate the Franchised Business, the amount necessary to upgrade and renovate the Franchised Business to reflect Franchisor's then-current image. The purchase price will be payable fifty percent (50%) at the time of closing and the balance in three (3) equal quarterly installments of principal plus interest at a rate per annum equal to the prime lending rate charged by Franchisor's bank determined as of the closing date. In connection with the purchase of the assets of the Franchised Business, Franchisee will use commercially reasonable efforts to deliver to Franchisor an assignment of the lease for the Franchised Business premises. If Franchisee owns the premises of the Franchised Business, Franchisee shall lease the premises to Franchisor for a term of 5 years with two successive 5-year renewal options at fair market rental and upon commercially reasonable terms and conditions prevailing in the market area in which the Franchised Business is located, during both the initial and renewal terms.

14. ASSIGNMENT, TRANSFER AND ENCUMBRANCE

A. BY FRANCHISOR

This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein. Specifically, and without limiting the foregoing, Franchisee agrees that the Franchisor may sell its assets, its interest in the Marks or the System to a third party, may offer its securities publicly or privately, may merge, acquire other entities or be acquired by another entity directly or indirectly, may undertake a refinancing, recapitalization, or other economic or financial restructuring, and with respect to any or all of the above sales, assignments or transfers, Franchisee expressly waives any claims, demands or damages against the Franchisor arising from or related to the transfer. Nothing contained in this Agreement shall require Franchisor to continue any business operating under the System or to offer any services or products, whether or not bearing the Marks, to the Franchisee if the Franchisor assigns its rights. In the event of a transfer or assignment of this Agreement by Franchisor, the Franchisor shall be freed and relieved of any and all liability under this Agreement.

B. BY FRANCHISEE

(1) The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is a corporation, partnership, limited liability company or other entity, of its principal owners and officers or partners. Accordingly, Franchisee shall not transfer (as defined below) this Agreement or any interest therein without Franchisor's written consent and without offering Franchisor a right of first refusal. Any attempt at a transfer that violates the provisions of this Section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. A transfer by an individual franchisee to an entity that is wholly

owned by the Franchisee and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to the Franchisor's right of first refusal nor shall Franchisee be required to pay the transfer fee set forth in subsection 14B(3)(f) below; provided that Franchisee notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable including without limitation, an assumption agreement and personal guaranty by Franchisee as an individual. Franchisee shall reimburse Franchisor for its expenses in documenting such a transfer.

(2) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee, in whole or in part, of any interest in this Agreement, any interest in the Franchised Business or more than twenty-five percent (25%) of the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is a corporation, partnership, limited liability company or other entity. "Transfer" shall also include, in the event of Franchisee's death, a transfer to the surviving spouse, heirs, estate or other representative of Franchisee (the "**Survivor**").

(3) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

(a) there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other Agreement with Franchisor or any of its affiliates;

(b) the physical premises of the Franchised Business shall be in complete compliance with Franchisor's then-current standards;

(c) if required, the lessor of the premises of the Franchised Business has consented to Franchisee's sublease or transfer of the lease or sublease for the premises to the proposed transferee;

(d) the proposed transferee shall be qualified according to Franchisor's then-current standards for new franchisees, and shall have successfully completed Franchisor's initial training program;

(e) the proposed transferee shall have executed Franchisor's then-current standard franchise agreement for a term of years equal to the remaining term of this Agreement, the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee (if an entity) shall have executed Franchisor's then-current form of Guaranty;

(f) Franchisee shall have paid to Franchisor a transfer fee of (i) fifty percent (50%) of the then-current initial franchise fee if the transferee is an existing Franchisee of Franchisor; or (ii) seventy-five percent (75%) of the then-current initial franchise fee if the transferee is not an existing Franchisee or Franchisor. The transfer fee is payable regardless of whether or not Franchisor consents to the Transfer;

(g) Franchisee (and its principals if Franchisee is a corporation or other entity) shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its officers, directors, employees, affiliates, shareholders, representatives and agents;

(h) any obligations of the transferee to the Franchisee shall be subrogated to the transferee's obligations to Franchisor under the Franchise Agreement it enters into with Franchisor;

(i) if the proposed Transfer is to a business entity, Franchisee must own such business entity, sign a personal service agreement with such business entity, and execute a performance guaranty; and

(j) Franchisee must transfer this Agreement together with all other agreements it has entered into with Franchisor and all rights thereunder to the transferee.

(4) Franchisor's consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its owner(s), or of Franchisor's right to demand strict compliance with this Agreement.

(5) No interest in this Agreement or the franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of a transfer of the Franchise, or otherwise.

C. RIGHT OF FIRST REFUSAL

Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within sixty (60) days of receipt of the complete information and documents by Franchisee, Franchisor will inform Franchisee (1) whether it will exercise its right of first refusal, and (2) if not, whether it will consent to the transfer. In the event that Franchisor notifies Franchisee that it will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee which are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and brokers or finders fees to be paid by the proposed transferee to Franchisee or to any principal of Franchisee). Moreover, Franchisor or its nominee shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transferee, Franchisee may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor.

D. DEATH OR PERMANENT DISABILITY

If Franchisee, or the principal of a Franchisee that is not an individual, dies or is permanently disabled in a manner that prohibits operation of the Franchised Business, the Survivor or, in the case of permanent disability, the representative of Franchisee shall, within sixty (60) days of such death or determination of permanent disability, either meet all of the qualifications then required of franchisees or shall transfer the Franchise Agreement.

15. INDEMNIFICATION OF FRANCHISOR

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold the Franchisor, and its affiliates and associates, licensors, officers, directors, shareholders, employees, agents, representatives and assignees harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Franchisee's actions or failure to act, whether personal or in connection with the operation of the Franchised Business, any other actions or failure to act by Franchisee, its agents or representatives or any breach of this Agreement. For purposes of this indemnification, "**claims**" means and includes all obligations, actual and consequential damages, losses, claims, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any claim. Franchisee shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Franchisee agrees to cooperate fully with Franchisor in any other claims brought by or against Franchisor.

16. MISCELLANEOUS

A. FORCE MAJEURE

In the event of a natural disaster such as an earthquake, flood, hurricane or fire or a strike, lockout or labor controversy or the happening of any extraordinary event beyond the control of one of the parties which results in the inability of that party to operate or to provide the services contemplated by this Agreement, there shall be no obligation on the part of that party to operate or to provide such services during the period when such party is unable to do so.

B. GRAMMAR

The masculine of any pronoun will include the feminine and the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires.

C. INTERPRETATION

References in the Agreement to actions, rights, decisions or options to be exercised in the Franchisor's discretion shall mean the sole, absolute and unfettered discretion of the Franchisor. When calculating the date upon which or the time within which any act is to be done, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a business day, the period in question shall end on the next business day. The terms of this Agreement shall not be interpreted or construed in favor of or against any party on the ground that one party was the purported draftsman hereof.

D. SECTION HEADINGS

Section headings are for convenience of reference only and shall not be construed as part of this Agreement nor shall they limit or define the meaning of any provision herein.

E. NONWAIVER

No failure by either party to take action on account of any default of the other party, whether in a single instance or repeatedly, and no course of dealing of the parties in variance with the terms hereof constitutes a waiver of any such default or of the performance required of either party by this Agreement. No express waiver by either party of any provision or performance hereunder or of any default by the other party constitutes a waiver of any other or future provision, performance or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving party. The parties may in their sole respective discretion elect from time to time to waive obligations of one another under this Agreement upon such terms and conditions as they may, in their sole respective discretion, set forth in such written waiver.

F. NO EXEMPLARY DAMAGES

Neither party to this Agreement shall assert against the other party any claim for special, exemplary or punitive damages arising out of the Franchisor-Franchisee relationship, the formation or performance of this Agreement, any breach of this Agreement, or the operation of the Franchised Business.

G. INVALIDITY AND SEVERABILITY

If any provision or portion of a provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision or portion thereof shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or to be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision or portion thereof had been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or portions thereof, or including such provisions or portions thereof only to the maximum scope and application permitted by law, as the case may be. In the event such total or partial invalidity or unenforceability of any provision or portion thereof of this Agreement exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision or portion thereof only to the extent that the laws of such jurisdiction are applicable.

H. NOTICES

Any notice or demand given or made pursuant to the terms of this Agreement will be made in writing and delivered by personal service, facsimile, e-mail, overnight delivery, or first class, registered or certified mail (postage prepaid) to such address as may be designated from time to time by the relevant party, and which will initially be as set forth as follows:

If given to Franchisor:

Circuit Works Holdings, LLC
2005 Main Street
Santa Monica, CA 90405
Telephone: (310) 664-1017
E-mail: Raphael@circuitworksla.com

If given to Franchisee:

____
____
____
Telephone:____________________
E-mail:________________________

Any notice sent by certified mail will be deemed to have been given three (3) days after the date on which it is mailed. All other notices will be deemed given when sent if sent by facsimile or e-mail or personal delivery, and one (1) business day after being sent by overnight mail. No objection may be made to the manner of delivery of any notice actually received in writing by an authorized agent of a party.

I. ENTIRE AGREEMENT

This Agreement and all ancillary documents executed contemporaneously herewith and any documents referred to herein constitute and contain the entire Agreement and understanding of the parties with respect to the subject matter hereof. This Agreement supersedes and extinguishes any and all prior negotiations, understandings, representations and agreements relating to the subject matter hereof; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document provided to Franchisee by Franchisor. This Agreement may not be modified or amended except by a formal written amendment executed by both parties before a notary.

J. CONTROLLING LAW; DISPUTE RESOLUTION; ATTORNEYS' FEES AND EQUITABLE RELIEF

(1) This Agreement, including all matters relating to the validity, construction, performance, and enforcement thereof, shall be governed by the laws of California without giving effect to its provision regarding choice of laws; provided, however, that the Lanham Act (15 U.S.C. 1051 *et seq*.), shall also apply to the provisions concerning the Marks, and provided, further, that Section 11 shall be governed by the laws of the state in which the Territory is located.

(2) Upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof (in each case, a **"Dispute"),** the parties shall first attempt to resolve the Dispute through settlement discussions.

(3) If the parties are unable to resolve the Dispute pursuant to subsection 16J(2) above, then the parties shall submit the Dispute to final and binding arbitration in Los Angeles, California, administered by the Judicial Arbitration and Mediation Service ("**JAMS/Endispute**"), or its successor, in accordance with the rules and procedures of JAMS/Endispute then in effect. The parties agree that any and all Dispute that is submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney licensed to practice law in California who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, JAMS/Endispute shall designate the arbitrator. The parties will cooperate with JAMS/Endispute and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS/Endispute procedures. The arbitration shall be conducted in accordance with the JAMS/Endispute Comprehensive Rules. Any party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS/Endispute, with a copy to the other party; provided, however, that the parties may each commence arbitration only on their own behalf and not as a member of a group or class. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, except as provided below, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court or by a jury.

(4) The prevailing party in any legal proceeding will be entitled to recover as an element of such party's cost of arbitration, suit or proceeding, and not as damages, reasonable attorneys' fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief,

without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of $100.00 shall be sufficient bond), in connection with the Marks, Trade Dress, Proprietary Information or Trade Secrets. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

K. RELATIONSHIP OF PARTIES

(1) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the Franchised Business, the Franchisee is, and shall be, an independent contractor. Neither Franchisor nor the Franchisee has the right to bind or obligate the other to any obligations or debts.

(2) It is acknowledged that the Franchisee is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of the Franchisor. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it.

L. COMPLIANCE WITH LOCAL LAW

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such law or rule.

M. SPOUSAL CONSENT

Franchisee's spouse or, the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit "B".**

N. ENTITY FRANCHISEES

(1) If Franchisee is a partnership, Franchisee shall deliver to Franchisor a copy of its current partnership agreement prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all restated partnership agreements and any amendments to the partnership agreement marked to indicate changes since the date of the partnership agreement previously delivered to Franchisor. If Franchisee is a corporation, Franchisee shall deliver to Franchisor a copy of its certificate or articles of incorporation, or other charter documents and all amendments thereto, and a copy of its current bylaws, prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all subsequent amendments to its certificate or articles of incorporation or other charter documents and its current bylaws, marked to indicate changes since the date of the certificate or articles, bylaws or other charter documents previously delivered to Franchisor. If Franchisee is a limited liability company, Franchisee shall deliver to Franchisor copies of its certificate of formation or articles of organization, its operating agreement and other charter documents, and all amendments thereto. Thereafter, Franchisee shall deliver to Franchisor copies of all subsequent amendments to its certificate of formation or articles of organization, operating agreement and other charter documents, marked to indicate changes since the date of the articles, agreement or other documents previously delivered to Franchisor.

(2) If Franchisee is a corporation, partnership, limited liability company or other entity, **Exhibit** "**C**" shall be completed and delivered together with this Franchise Agreement. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information contained in **Exhibit** "**C**".

(3) If Franchisee is a corporation or otherwise issues ownership certificates, all securities shall be affixed with the following legend conspicuously on the face of the certificate evidencing the issuance thereof:

> "The transfer of the shares/ownership interest represented by this certificate is subject to the terms and conditions of the Franchise Agreement entered into with Circuit Works Holdings, LLC dated ______________, _____, a copy of which is on filed with the Secretary of this corporation/entity."

O. APPROVALS, CONSENTS AND GUARANTIES

If Franchisee is a corporation, a partnership, a limited liability company or other entity, Franchisor shall not be bound unless all shareholders, general partners or members of Franchisee, as applicable, have read and approved this Agreement and further agree that any restriction applicable to the corporation, partnership, limited liability company or other entity shall also apply to them individually and collectively (including the prohibition on their ability to transfer their interests in the Franchisee) and further agree, if Franchisor so requires, to personally, jointly and severally, guarantee the performance of Franchisee under the terms of this Agreement by executing the form of guaranty set forth in **Exhibit** "**D**" attached hereto.

P. STATUTE OF LIMITATIONS.

The parties hereby acknowledge and agree that any suit, action or other proceeding relating to this Agreement must be brought within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

17. ACKNOWLEDGMENTS

Franchisee acknowledges and represents the following to Franchisor to induce it to enter this Agreement, as follows:

A. FRANCHISEE HAS READ THIS AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT AND ALL OTHER RELATED AGREEMENTS AND DOCUMENTS AND UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLY NECESSARY TO MAINTAIN THE SYSTEM'S HIGH STANDARDS OF QUALITY AND SERVICE AND THE UNIFORMITY OF THOSE HIGH STANDARDS BY ALL FRANCHISEES IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR OR ITS REPRESENTATIVES HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF SUCH DOCUMENTS TO THE SATISFACTION OF FRANCHISEE;

B. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE RECOGNIZES THAT THE NATURE OF THE BUSINESS MAY EVOLVE AND CHANGE OVER TIME, THAT AN INVESTMENT IN THE BUSINESS INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE DEPENDS PRIMARILY UPON FRANCHISEE'S INDIVIDUAL AND INDEPENDENT BUSINESS ABILITY AND EFFORTS. FRANCHISEE UNDERSTANDS THAT THE FRANCHISED BUSINESS IS A RELATIVELY NEW CONCEPT THAT ENTAILS BUSINESS RISKS. FRANCHISEE HAS CONSULTED WITH SUCH PROFESSIONAL ADVISORS OF FRANCHISEE'S CHOOSING AS FRANCHISEE DEEMS NECESSARY, INCLUDING LEGAL COUNSEL, REGARDING ALL ASPECTS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, ALL RELATED AGREEMENTS AND THE BUSINESS RELATIONSHIP CREATED THEREBY, AND TO DETERMINE THAT FRANCHISEE IS FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE;

C. FRANCHISEE HAS NOT RECEIVED OR RELIED UPON ANY PROMISE, REPRESENTATION, GUARANTY OR WARRANTY, EXPRESSED OR IMPLIED, ABOUT THE POTENTIAL VOLUME, REVENUES, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;

D. FRANCHISEE IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY;

E. NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, PERSONNEL, AGENTS OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT HERETOFORE RECEIVED BY FRANCHISEE OR TO THE TERMS CONTAINED IN THIS AGREEMENT, AND FRANCHISEE HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS;

F. IN ALL OF THEIR DEALINGS WITH FRANCHISEE, THE OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, PERSONNEL, AGENTS AND REPRESENTATIVES OF FRANCHISOR ACT ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR;

G. FRANCHISEE ACKNOWLEDGES THAT IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT CONTEMPLATED HEREBY, FRANCHISOR MAY DO SO IN ITS SOLE DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION. SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS SOLE DISCRETION, ELECT TO NOT ENFORCE (OR TO SELECTIVELY ENFORCE) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO FRANCHISEE OR ANY OTHER FRANCHISEE OR OTHERWISE, AND FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE, ALL WITHOUT LIABILITY OR OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO STRICTLY ENFORCE THIS AGREEMENT OR OTHERWISE;

H. THE APPLICATION MADE BY FRANCHISEE IS TRUE AND CORRECT. FRANCHISEE HAS MADE NO INCORRECT STATEMENT IN THE APPLICATION OR

FAILED TO MAKE ANY STATEMENT THAT WOULD BE NECESSARY TO MAKE THE STATEMENTS IN THE APPLICATION NOT MISLEADING.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date stated on the first page hereof.

CIRCUIT WORKS HOLDINGS, LLC
(the "Franchisor")

By:______________________________

Print Name:______________________

Title:____________________________

Franchisee:

____

____
(Signature)

____
(Print Name and Title, if applicable)

EXHIBIT A

TERRITORY

The Territory referenced in the Franchise Agreement is described below and identified in the map attached as Exhibit A-1.

Description:____
____
____
____
____

Location of Circuit Works studio within Territory:

____
____
____
____

EXHIBIT B

SPOUSAL CONSENT

The undersigned each being the spouse of a Franchisee (or the spouse of an owner of the Franchisee) hereby states

1) That he or she has read and understands the Franchise Agreement and the Franchise Disclosure Document; and

2) That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer, and

3) That he or she consents to execution of the Franchise Agreement by Franchisee; and

4) That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations.

Dated:______________________ Signature:__________________________

Print Name:_________________________

EXHIBIT C
INFORMATION REGARDING
NON-INDIVIDUAL FRANCHISEES

(1) If Franchisee is a corporation or partnership or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Franchisee:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

NAME	ADDRESS	TITLE

(3) The address where Franchisee's records are maintained is:

____

____

____

(4) There is set forth below the name, address and title of each of Franchisee's principal officers or partners who will be devoting their full time efforts to the operation of the Franchised Business.

NAME	ADDRESS	TITLE

DATE: ____________________

____
Name and Title of Person Completing Exhibit

____
Signature

EXHIBIT D

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") with CIRCUIT WORKS HOLDINGS LLC ("**Franchisor**") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Guaranty and Assumption Agreement is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty and Assumption Agreement shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By:________________________________
Print Name:__________________________

By:________________________________
Print Name:__________________________

By:________________________________
Print Name:__________________________

By:________________________________
Print Name:__________________________

By:________________________________
Print Name:__________________________

CIRCUIT WORKS HOLDINGS, LLC

By:________________________________
Title:_______________________________

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

CIRCUIT WORKS

Circuit Works Operations Documentation

Table of Contents

EXHIBIT F

CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS

In consideration of Circuit Works Holdings, LLC ("**Assignee**") concurrently granting a Circuit Works franchise ("**Franchised Business**") to ______________________________ ______ ("**Assignor**"), and other valuable consideration, Assignor assigns to Assignee all telephone numbers, directory listings, fax numbers, e-mail addresses, Internet website addresses and domain names, and other listings, whether in electronic or other media, used or to be used by Assignor in the operation of the Franchised Business. This assignment will take effect on the effective date Assignee specifies below. Assignee assumes the performance of all of the terms, covenants, and conditions of the telephone or directory company with respect to these listings with the same force and effect as if they had been originally issued to Assignee. This Assignment is valid on the date signed and is irrevocable. Assignee has the right to fill in, add, or change the effective date and the listings at any time. The telephone or directory company is authorized to rely on this Assignment. The parties will hold harmless and indemnify the telephone or directory company from any claims based on reliance on this Assignment.

ASSIGNOR:

____

By: ______________________________

Printed Name:

____

Title: ____________________________

Date: ____________________________

By: ______________________________

Printed Name:

____

Title: ____________________________

Date: ____________________________

ASSIGNEE:

CIRCUIT WORKS HOLDINGS, LLC

By: ______________________________

Printed Name:

Title:

Effective Date:

____________________________ (*to be entered by Assignee on the date of termination, expiration or non-extension of the Franchise Agreement as determined in the sole discretion of Assignee*)

To be signed by all persons who have an ownership interest in the franchise or in the entity that is the franchisee.

EXHIBIT G

STATEMENT OF FRANCHISEE

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, Circuit Works Holdings, LLC (also called "**Circuit Works**", the "**Franchisor**" or "**we**"), and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

1. No oral, written, or visual claim or representation, that was inconsistent with the Franchise Disclosure Document or the Franchise Agreement was made to me by any person or entity, nor have I relied in any way on same, except as follows:

____

____

(If none, you should write NONE.)

2. No oral, written or visual claim or representation which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise from the Circuit Works Business was made to me by any person or entity, nor have I relied in any way on same, except as follows:

____

____

(If none, you should write NONE.)

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform Circuit Works (Phone: [(310) 562-3208]).

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE:

____________________ ____________________
Date

EXHIBIT E

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

CIRCUIT WORKS

[illegible]

[illegible]

EXHIBIT F

EXHIBIT F

INFORMATION ON FRANCHISEES

None.

EXHIBIT G

EXHIBIT G

STATE SPECIFIC ADDENDA

The following modifications are to Circuit Works Holdings, LLC's Franchise disclosure document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated ___________________, 20__.

The following is applicable to you only if you are covered by the franchise law of the referenced state:

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

Neither we, nor any person or franchise broker disclosed 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 these persons from membership in this association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you 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. Sec 101 et seq.).

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.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in the form and containing the information as the Commissioner may by rule or order require, before we ask you to consider a proposed material modification of your franchise agreement.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires you 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 is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The following is added to the disclosure in Item 19 of the FDD: The financial information provided in this Item 19 does not reflect the costs of sales, operating expenses or other costs or expenses that you will incur and that must be deducted from the gross receipts to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your center. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Item 5 of the Franchise Disclosure Document is amended to add the following after the last sentence:

"The Commissioner of Business Oversight requires us to defer receipt of the initial franchise fee and other initial payments owed by franchisees until after we have completed pre-opening obligations under the franchise agreement and until the franchise is open for business."

OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

HAWAII

The following is added to the Cover Page:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY YOU, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY YOU, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

ILLINOIS

Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is not enforceable and is amended to the extent required by Illinois law.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any law of Illinois is void.

Section 19 of the Illinois Franchise Disclosure Act provides that it shall be a violation of the Act for us to terminate your franchise before expiration of its term except for good cause, including a reasonable opportunity to cure certain defaults.

The Franchise Agreement is amended to state that Illinois law governs the agreement.

MARYLAND

Item 17 of the disclosure document and Sections of the Franchise Agreement requiring that you sign a general release as a condition of renewal, sale and assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law, to the extent required by this law.

Item 17 of the disclosure document and any provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

The Franchise Agreement is revised to state that any claims under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 17 of the disclosure document and any provisions of the Franchise Agreement requiring you to file any lawsuit in a court in the State of California may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Item 17 of the disclosure document and Section 21 of the Franchise Agreement are amended to state that you may sue in Maryland for claims under the Maryland Franchise Registration and Disclosure Law, to the extent required by Maryland law.

MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, to the extent required by law, the disclosure document and the Franchise Agreement are modified so that we cannot require you to waive your rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The disclosure document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), to the extent required by law, the Franchise Agreement and Item 13 of the disclosure document are amended to state that we will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trade name.

NEW YORK

The cover page of the disclosure document will be supplemented with the following, inserted at the bottom of the cover page:

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE IN THIS PROSPECTUS.

Add to Item 3 of the franchise disclosure document as follows, as the last paragraph:

A. Except as described above, neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations; or any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Except as described above, neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Except as described above, neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling the person from membership in the 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 actions affecting a license as a real estate broker or sales agent.

Add the following language to Item 4 of the franchise disclosure document, the last paragraph:

Except as described above, neither we, our affiliates, predecessors, officers, nor general partner during the ten-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 1 year after the officer or general partner held this position in the company or partnership.

Add at the end of the first paragraph of Item 5 of the disclosure document:

The purpose of the initial fee is to pay for our training, sales, legal compliance, salary, and general administrative expenses, and profit.

The first paragraph of Item 17 of the disclosure document is modified to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Add in Item 17d of the disclosure document:

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

Add at the end of the choice of law clause in the Franchise Agreement and in Item 17w of the disclosure document:

The foregoing choice of law should not be considered a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33.

NORTH DAKOTA

Sections of the disclosure document and Franchise Agreement requiring you to consent to the jurisdiction of courts outside of North Dakota or providing for resolution of disputes to be outside North Dakota may not be enforceable under North Dakota law, and are amended accordingly to the extent required by law.

Sections of the Franchise Agreement requiring you to arbitrate or mediate disputes may require you to consent to a waiver of trial by jury. A waiver of trial by jury may not be enforceable under North Dakota law and any such provisions are amended accordingly to the extent required by law.

Sections of the disclosure document and Franchise Agreement relating to choice of law, may not be enforceable under North Dakota law, and are amended accordingly to the extent required by law.

Sections of the disclosure document and Franchise Agreement requiring you to sign a general release upon renewal of the Franchise Agreement may not be enforceable North Dakota law, and are amended accordingly to the extent required by law.

Sections of the disclosure document and Franchise Agreement requiring you to consent to termination or liquidated damages may not be enforceable under North Dakota law. The disclosure document and Franchise Agreement are revised to state that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Sections of the Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law, and any such provisions are amended accordingly to the extent required by law.

Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to the statute, have been determined to be unfair, unjust, or inequitable in North Dakota. Sections of the disclosure document and Franchise Agreement containing covenants restricting competition to which you must agree may not be enforceable under North Dakota law, and are amended accordingly to the extent required by law.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The disclosure document and Franchise Agreement are amended accordingly to the extent required by law.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provision of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable and are amended to the extent required by law.

Transfer fees are collectible to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer, to the extent required by Washington law.

WISCONSIN

With respect to franchise agreements governed by Wisconsin law, the following shall supersede any inconsistent provision:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, nonrenewal or substantial change in the competitive circumstances of a dealership agreement without good cause. The Law further provides that 90 days' prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The disclosure document and Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provisions in the Franchise Agreement that are inconsistent with that Law. Wis. Stats. Ch. 135, The Wisconsin Fair Dealership Law. SEC 32.06(3), Wis. Adm. Code.

ACKNOWLEDGMENT:

It is agreed that any applicable part of the foregoing state law addendum supersedes any inconsistent portion of the Franchise Agreement dated the _____ day of __________________, 20__, and of the Franchise disclosure document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this _______ day of _____________________, 20__.

FRANCHISOR:

CIRCUIT WORKS HOLDINGS, LLC

By:_______________________________________

Printed Name:_________________________

Title:______________________________________

FRANCHISEE

By:_______________________________________

Printed Name:_________________________

Title:______________________________________

ADDENDUM TO THE FRANCHISE AGREEMENT OF CIRCUIT WORKS HOLDINGS, LLC, REQUIRED BY THE STATE OF CALIFORNIA

The following is added to Section 6(a) of the Franchise Agreement:

> "The Commissioner of Business Oversight requires us to defer receipt of the initial franchise fee and other initial payments owed by franchisees until after we have completed pre-opening obligations under the franchise agreement and until the franchise is open for business."

Except as modified herein, the Franchise Agreement continues in full force and effect in accordance with its terms.

FRANCHISOR:

CIRCUIT WORKS HOLDINGS, LLC

By: ______________________________
Title: ______________________________
Print Name: ______________________________

FRANCHISEE:

____

By: ______________________________
Title: ______________________________
Print Name: ______________________________

EXHIBIT H

<u>EXHIBIT H</u>

FORM OF FRANCHISE COMPLIANCE CERTIFICATE

Circuit Works
Compliance Questionnaire

As you know, you and Circuit Works Holdings, LLC (the **"Franchisor"**) are preparing to enter into a Franchise Agreement for the establishment and operation of a "Circuit Works" franchised business (a **"Circuit Works Studio"**). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a.	____________, 20__ Initials ___________	The date of my first face-to-face meeting with any person to discuss the possible purchase of a Circuit Works Studio.
b.	____________, 20__ Initials ___________	The date on which I received Franchisor's Franchise Disclosure Document ("FDD").
c.	____________, 20__ Initials ___________	The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
d.	____________, 20__ Initials ___________	The date on which I signed the Franchise Agreement.

2. Have you received and personally reviewed the Franchise Agreement and each addendum and related agreement attached to it?

   Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, and each addendum and related agreement provided to you?

   Yes _____ No _____

   If No, what parts of the Franchise Agreement, addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Have you received and personally reviewed the FDD that was provided to you?

   Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

   Yes _____ No _____

6. Do you understand all of the information contained in the FDD and any state-specific addendum to the FDD?

   Yes _____ No _____

   If No, what parts of the FDD and/or addendum do you not understand? (Attach additional pages, as needed.)

7. Have you discussed the benefits and risks of establishing and operating a Circuit Works Studio with an attorney, accountant, or other professional advisor?

   Yes _____ No _____

   Have you had the FDD and Franchise Agreement reviewed by an attorney, accountant, or other professional advisor?

   Yes _____ No _____

   If No to either question, do you wish to have more time to do so? Yes _____ No _____

8. Do you understand that the success or failure of your Circuit Works Studio will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors?

   Yes _____ No _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

   Yes _____ No _____

10. Do you understand that there are no promises, representations (other than in the franchise disclosure document), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement?

    Yes _____ No _____

11. If you have answered "No" to any one of questions 8–10, please provide a full explanation of each No answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 8–10, please leave the following lines blank.

    ____

    ____

    ____

12. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the revenues, profits, or operating costs of a Circuit Works Studio operated by the Franchisor or its franchisees, that is contrary to the information contained in the FDD?

    Yes _____ No _____

13. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Circuit Works Studio that is contrary to the information contained in the FDD?

    Yes _____ No _____

14. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the total amount of revenue the Circuit Works Studio will generate, that is contrary to the information contained in the FDD?

    Yes _____ No _____

15. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating the Circuit Works Studio that is contrary to or different from, the information contained in the FDD?

    Yes _____ No _____

16. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Circuit Works Studio?

    Yes _____ No _____

17. Has any employee or other person speaking for the Franchisor made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

    Yes _____ No _____

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

    Yes _____ No _____

19. Have you paid any money to the Franchisor concerning the purchase of this franchise?

    Yes _____ No _____

20. If you have answered "Yes" to any one of questions 12–19, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "No" to each of questions 12–19, please leave the following lines blank.

    ____

    ____

    ____

21. Do you understand that all disputes and claims you may have under the Franchise Agreement and the Personal Guaranty must be

heard in Los Angeles, California (if they cannot be informally resolved)?

Yes _____ No _____

22. Do you understand that the Franchise Agreement and the Personal Guaranty provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

23. Do you understand that the Franchise Agreement and the Personal Guaranty both include a waiver of jury trials?

Yes _____ No _____

24. During my negotiations and evaluations leading up to my decision to buy a Circuit Works Studio franchise, I communicated with the following individuals from or on behalf of Circuit Works Holdings: ____

25. During my communications with Circuit Works Holdings, I received an offer to purchase a franchise in ____________________ [City, State] when I was physically located in __________________ [City, State], which was communicated to me by ____________________ [Name of Circuit Works Holdings representative] when he/she was physically located in ________________________ [City, State].

26. The franchisee maintains a domicile in the following state(s) _____________________________. Please consult with your lawyer regarding the meaning of the term "domicile" before completing this Question 26.

Your responses to these questions are important to us and we will rely on them. By signing this Questionnaire, you are representing to us that you have responded honestly, accurately, and completely to each of the above questions.

Name ______________________________ Address ______________________________

Signature____________________________

Name ______________________________ Address ______________________________

Signature____________________________

CIRCUIT WORKS HOLDINGS, LLC
RECEIPT

The Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If CW 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.

Maryland, Washington and Wisconsin require that we give you this Disclosure Document at the earlier of the first personal meeting or 14 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, New York and Rhode Island require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

Following is information about the franchise sellers involved in this transaction:

1) Raphael Verela, 2005 Main Street, Santa Monica, CA 90405, (310) 664-1017
2) Katie Randall, 2005 Main Street, Santa Monica, CA 90405, (310) 664-1017

CW authorizes the agents listed in Exhibit B to this Disclosure Document to receive service of process.

I received a Disclosure Document issued December 3, 2018 (and registered as of the dates listed on the State Cover Page) that included the following Exhibits:

A. List of State Franchise Administrators
B. List of Agents for Service of Process
C. Financial Statements
D. Franchise Agreement
Attachments to Franchise Agreement:
- Exhibit A: Territory
- Exhibit B: Spousal Consent
- Exhibit C: Information Regarding Non-Individual Franchisees
- Exhibit D: Guaranty and Assumption of Franchisee's Obligations
- Exhibit E: Operations Manual Table of Content
- Exhibit F: Form of General Release
- Exhibit G: Statement of Prospective Franchisee

E. Operations Manual Table of Contents
F. Information on Franchisees
G. State Specific Addenda
H. Form of Franchise Compliance Certificate

____
Franchisee

________________________ ______________________________
Date: Print Name
individually and as an officer or partner
of ______________________________
a (________________________ corporation)
a (________________________partnership)
which has been or will be formed to act as franchisee
Address:

____
City State Zip Code

____
Area Code Phone Number

CIRCUIT WORKS HOLDINGS, LLC
RECEIPT

The Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If CW 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.

Maryland, Washington and Wisconsin require that we give you this Disclosure Document at the earlier of the first personal meeting or 14 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, New York and Rhode Island require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

Following is information about the franchise sellers involved in this transaction:

1) Raphael Verela, 2005 Main Street, Santa Monica, CA 90405, (310) 664-1017
2) Katie Randall, 2005 Main Street, Santa Monica, CA 90405, (310) 664-1017

CW authorizes the agents listed in Exhibit B to this Disclosure Document to receive service of process.

I received a Disclosure Document issued December 3, 2018 (and registered effective as of the dates listed on the State Cover Page) that included the following Exhibits:

A. List of State Franchise Administrators
B. List of Agents for Service of Process
C. Financial Statements
D. Franchise Agreement
Attachments to Franchise Agreement:
- Exhibit A: Territory
- Exhibit B: Spousal Consent
- Exhibit C: Information Regarding Non-Individual Franchisees
- Exhibit D: Guaranty and Assumption of Franchisee's Obligations
- Exhibit E: Operations Manual Table of Content
- Exhibit F: Form of General Release
- Exhibit G: Statement of Prospective Franchisee

E. Operations Manual Table of Contents
F. Information on Franchisees
G. State Specific Addenda
H. Form of Franchise Compliance Certificate

____
Franchisee

______________________________ ______________________________
Date: Print Name
individually and as an officer or partner
of ______________________________
a (______________________________ corporation)
a (______________________________partnership)
which has been or will be formed to act as franchisee
Address:

____
City State Zip Code

____
Area Code Phone Number