FRANCHISE DISCLOSURE DOCUMENT

CLUB KO FRANCHISE LLC
a New Jersey limited liability company
900 Madison Street, Suite 2
Hoboken, New Jersey 07030
Telephone: (201) 963-7774
Website: www.ckokickboxing.com
www.ckokickboxing.com/fitness-franchise.html

This franchise is for the operation of a membership-based facility that offers fitness kickboxing classes, including our proprietary 10-week program.

The total investment necessary to begin operation of a CKO Kickboxing franchised business is $125,012 to $251,862. This includes $35,000 that must be paid to the franchisor.

We may offer area development rights to establish and operate a certain number of Facilities at specific locations pursuant to individual franchise agreements. The area development fee will be equal to the total of $35,000 for the first Facility plus the reduced initial franchise fee ($24,500) for each additional Facility to be developed. The estimated total initial investment to develop two facilities is $149,512 to $276,362. This includes $59,500 that must be paid to the franchisor. The total investment under an Area Development Agreement will vary depending on the number of Facilities to be developed.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Joseph Andreula at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 and (201) 963-7774.

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

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

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

Issuance Date: April 8, 2022

How to Use this Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit operator agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New Jersey. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New Jersey than in your own state.

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house at risk if your franchise fails.

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

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

TABLE OF CONTENTS

Page

ITEM 1 ..... **1**

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES 1

ITEM 2 ..... **3**

BUSINESS EXPERIENCE 3

ITEM 3 ..... **4**

LITIGATION 4

ITEM 4 ..... **4**

BANKRUPTCY 4

ITEM 5 ..... **4**

INITIAL FEES 4

ITEM 6 ..... **5**

OTHER FEES 5

ITEM 7 ..... **8**

ESTIMATED INITIAL INVESTMENT 8

ITEM 8 ..... **12**

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 12

ITEM 9 ..... **14**

FRANCHISEE'S OBLIGATIONS 14

ITEM 10 ..... **16**

FINANCING 16

ITEM 11 ..... **16**

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 16

ITEM 12 ..... **23**

TERRITORY 23

ITEM 13 ..... **26**

TRADEMARKS 26

ITEM 14 ..... **27**

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 27

ITEM 15 ..... **28**

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 28

ITEM 16 ..... **28**

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 28

ITEM 17 ..... **29**

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 29

ITEM 18 34
PUBLIC FIGURES 34
ITEM 19 34
FINANCIAL PERFORMANCE REPRESENTATIONS 34
ITEM 20 35
OUTLETS AND FRANCHISEE INFORMATION 35
ITEM 21 39
FINANCIAL STATEMENTS 39
ITEM 22 39
CONTRACTS 39
ITEM 23 39
RECEIPTS 39

EXHIBITS:

A – Agents for Service of Process/State Administrators
B – State Specific Addendum
C – Franchise Agreement
D – Area Development Agreement
E – List of Franchisees and Area Developers
F – List of Franchisees and Area Developers Who Have Left the System
G – Table of Contents of Operations Manual
H – Financial Statements
I – General Release

RECEIPT

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Club KO Franchise LLC ("we", "our" or "us") is a New Jersey limited liability company that was formed on October 18, 2006 and has its principal place of business at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030. We do business under our corporate and under our trade name "CKO Kickboxing." We will refer to the person who buys this franchise as "you" throughout this Disclosure Document. If the franchise purchaser is a business entity, "you" also includes each partner, shareholder and/or other owner of that entity.

We are offering franchises for the operation of membership-based businesses operating under the "CKO Kickboxing" name which provide fitness kickboxing classes and our proprietary 10-week program. We do not own any locations of the type being franchised. We have never offered franchises in any other line of business. We began selling franchises in November 2008. Our agents for service of process are listed in Exhibit A.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor, but have one active affiliate. Our affiliate is owned by our principals and the affiliate has not sold franchises in this or any other line of business.

Our affiliate has operated its business since 1997. Take It To The Max, Inc. is located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030.

Our affiliate, Club-KO Incorporated, operated its business from 2005 until the facility closed in August 2016 because the landlord demolished the building in order to build luxury condominiums. Club-KO Incorporated (Club KO Inc.") was located at 127 Grand Street, Hoboken, New Jersey 07030. This affiliate has remained in existence as a business entity since the closure of the 127 Grand St., Hoboken, NJ 07030, without conducting any business, until November 1, 2019. On November 1, 2019, Club KO Inc. took over the management of the CKO Kickboxing location in Matawan, New Jersey when the franchisee abandoned the location in October 2019 and Club KO Franchise LLC exercised its legal step-in rights. Club KO Inc. operated the CKO Kickboxing location in Matawan, New Jersey through February 29, 2020. On March 1, 2020, the CKO Kickboxing Matawan location was sold to a new franchisee. The franchisee permanently closed the CKO Kickboxing Matawan location on November 30, 2021.

Our principals reserve the right to sell these affiliated operating Facilities to a new franchisee at prices to be negotiated. If you purchase an existing Facility, you must sign our then-current form of Franchise Agreement. Our principals may choose to keep the existing lease for the premises and sublease the premises to you. The form of sublease is attached to the Franchise Agreement as Exhibit G. The form of Asset Purchase Agreement is attached to the Franchise Agreement as Exhibit H.

The System

Our System includes a proprietary method of interior design, layout, decor, color scheme, equipment, fixtures and furnishings; materials and supplies; methods, uniform standards, specifications and procedures for operations; procedures for management control; training and assistance; and merchandising, advertising and promotional programs, all of which may be changed, improved and further developed (the "System").

The System is identified by certain trade names, service marks, trademarks, logos, equipment, emblems and indicia of origin, including the mark "CKO Kickboxing", as is now designated and may in the future be designated by us in writing for use with the System (the "Proprietary Marks").

We will offer "CKO Kickboxing" franchises to operators who will operate a Facility at a new location. In addition, we may also offer our franchise to existing proprietors of martial arts facilities who wish to convert their business to a "CKO Kickboxing" Franchise ("Facility"). Existing operators who convert their existing operations to "CKO Kickboxing" might have a lower initial investment than those who construct new Facilities (see Item 7).

Description of the Franchise Offered

We offer you a franchise agreement (the "Franchise Agreement") which gives you the right to establish and operate one facility in an area that we mutually agree on ("Facility" or "Franchised Business"). The Franchise Agreement gives you the right to use the Proprietary Marks and the System solely at the facility.

We offer franchises for the establishment of Facility which is a membership-based facility offering fitness kickboxing classes and our proprietary 10-week program in accordance with the System. We provide an Operations Manual, training, cooperative marketing, and other assistance to franchisees, all as defined in the Franchise Agreement attached as Exhibit "C".

We also may offer an Area Development Agreement (included as Exhibit "D" to this Disclosure Document) with qualified corporations and persons (an "Area Developer"), which grants the right to establish and operate a specified number of Facilities in a specified area (the "Development Area") at specific locations that must be approved by us, each under a separate Franchise Agreement. We will enter into Area Development Agreements under which at least two Facilities will be developed by an Area Developer.

Area Developers must open each Facility following the Development Schedule set forth in Exhibit B to the Area Development Agreement. The Area Developer must exercise each development right by itself signing the then-current form of Franchise Agreement for the establishment and operation of a Facility.

Industry Specific Regulations

You must comply with all other local, state and federal laws in the operation of your Facility, which may include state laws or regulations regarding health clubs. Your state's laws may require you to have an automated external defibrillator (AED) unit on-site with staff member(s) trained in how to use the AED and trained in CPR. There may be other laws applicable to your business and we urge you to make additional inquiries about these laws. Your failure to comply with these laws constitutes a material breach of your Franchise Agreement.

Market and Competition

Your Facility will primarily target adults of all ages and fitness levels. Classes and programs may be offered to children between the ages of 13 and 17, with parental consent. We also have classes and programs for children between 4 and 12.

The general market for fitness and exercise facilities is well-established and highly competitive. Your competition will include other fitness centers including regional and national chains that may operate

more locations and may have greater financial resources, more experienced marketing organizations and greater name recognition than we currently have, and small "mom and pop" operators. The ability of each Facility to compete is dependent on a variety of factors, including demographics, the immediate neighborhood location and characteristic, accessibility and the individual service, marketing, merchandising, capitalization and diligence of the franchisee.

ITEM 2
BUSINESS EXPERIENCE

Owner/CEO – Joseph Andreula

Mr. Andreula has been our Owner/CEO since October 2006. From November 1997 to the present, Mr. Andreula has owned and operated several CKO Kickboxing Facilities in New Jersey and New York.

Head Trainer – Michael Andreula

Mr. Andreula has been our Head Trainer since October 2006. Since 1997, Mr. Andreula has been an instructor and sales manager for the original CKO Kickboxing Facility located in Hoboken, New Jersey.

Chief Operating Officer – Richard Rosso

Mr. Rosso has been our Chief Operating Officer since January 2014. He was our Director of Franchise Development from December 2011 to December 2013. From April 2002 to November 2011, he was Chief Operating Officer at Inches-a-Weigh, headquartered in Las Vegas, Nevada.

Chief Financial Officer – Roe Rana

Ms. Rana has been our Chief Financial Officer since January 2014. She was our Director of Corporate Accounts from August 2011 to December 2013. From July 2007 to August 2011, she was Assistant to Chief Financial Officer for Take It to the Max, Inc. located in Hoboken, New Jersey.

Director of Human Resources – Ann Marie Andreula

Ms. Andreula has been our Director of Human Resources since January 2009. Ann Marie Andreula is the mother to Joseph and Michael Andreula.

Resource Center Manager– Robert Rios

Mr. Rios is our Resource Center Manager for franchisees' quick digital advertising access to our social videos, graphics, instructional lessons, etc. Mr. Rios had been our Franchise Technology and Digital Advertising Coach since June 2016. From September 2014 to May 2016, he was Sales Manager for Take it to the Max, Inc. located in Hoboken, New Jersey. From December 2013 to August 2014, Mr. Rios was in Personal Training Sales for LA Fitness located in Secaucus, New Jersey. From February 2010 to November 2013, he was in Medical Equipment Sales for O.R. Specialties, Inc. located in Trumbull, Connecticut.

Franchise Community Engagement Consultant – Marcello Girardi

Mr. Girardi is our Franchise Community Consultant. Mr. Girardi had been our Franchise Community Engagement Coach since November 2016. From October 2015 to October 2016, he was Public Relations and Sales Manager for Take it to the Max, Inc. located in Hoboken, New Jersey. From August

2015 to October 2016, he was Collections Specialist for Chase Receivables located in Fairfield, New Jersey. From August 2014 to July 2015, he was Public Relations and Sales Representative for Club KO of Franklin Limited Liability Company located in Franklin, New Jersey. From September 2013 to June 2015, he was Patient Relationship Associate for Dr. Diana Galvis located in Totowa, New Jersey. From August 2012 to September 2013, he was a self-employed photographer located in Vernon, New Jersey.

Designer – Bryan D'Angelo

Mr. D'Angelo has been our designer since 2011. In addition to consulting with the franchisees to meet their design needs, he also directs the Product Development Department at a stationery and gift company and provides design services to a variety of commercial and non-profit clients.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

In the State of Illinois, we will defer the payment of the initial franchise fee, development fee and any other initial payment until you open your business and it is operating. This deferral has been imposed by the Illinois Attorney General's Office based on the Franchisor's financial condition.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.

Franchise Agreement

You must pay to us an initial franchise fee of $35,000 in a lump sum when you sign the Franchise Agreement. The initial franchise fee consists of $12,500 for your initial training and $22,500 for the franchise fee. The initial franchise fee is uniform for all franchisees, is fully earned and is not refundable.

Area Development Agreement

When you sign the Area Development Agreement, you must pay us a development fee ("Development Fee") that is calculated based on the total number of Facilities you commit to develop under the Area Development Agreement. You must commit to open a minimum of two Facilities. The

Development Fee will be equal to 100% of the initial franchise fee for the first Facility to be developed, plus 100% of the reduced initial franchise fee of $24,500 for each additional Facility to be developed. For example, if you commit to develop two Facilities, the Development Fee is calculated as $35,000 + $24,500 = $59,500. If you wish to develop more than two Facilities, the Development Fee will increase by $24,500 for each additional Facility to be developed after the second Facility.

You must sign the Franchise Agreement for the first Facility at the same time you sign the Area Development Agreement. We will take a portion of the Development Fee to pay the initial franchise fee in full for this first Facility. If you meet your obligations under the Area Development Agreement and are not in default under any other agreement with us, you must sign the Franchise Agreement for each additional Facility you committed to develop and we will apply a pro rata portion of the Development Fee in full payment of the reduced initial franchise fee for that Facility.

The Development Fee is fully earned by us upon receipt and is not refundable under any circumstances.

There are no other payments to or purchases from us or our affiliates that you must make before your Facility opens for business.

ITEM 6
OTHER FEES

Name of Fee (1)	Amount	Date Due	Remarks
Continuing Service Fee	7% of gross revenues (3)	Payable immediately upon all sales transactions via the Club Ready full-service billing platform.	Continuing Service Fees are payable by electronic funds transfer from your operating account.
Marketing Fund (National and Regional)	1% of gross revenues	Not currently in place. We reserve the right to enact this fee on 30 days' notice.	If enacted, the marketing fee shall be payable by electronic funds transfer from your operating account.
Advertising Cooperative	Maximum – 2% of gross revenues	Not enacted at present. We reserve right to enact with notice.	If enacted, payments to the Cooperative will count towards your local advertising requirement.

Name of Fee (1)	Amount	Date Due	Remarks
Local Advertising	5% of gross revenues, if market warrants	If enacted, you should spend this sum each month	You should spend this amount on local advertising and promotions using our advertising templates. If you develop your own advertising material, we must approve it in advance of your using it. Any advertising materials developed by you will become our property.
Transfer (Franchise Agreement)	$10,000	Upon transfer	No fee is imposed for transfers to a corporate entity formed by you for the convenience of ownership. Fees are paid by the buyer
Transfer (Area Development Agreement)	$25,000	Upon transfer	No fee is imposed for transfers to a corporate entity formed by you for the convenience of ownership. Fees are paid by the buyer
Successor Agreement Fee	$5,000	Upon renewal of Franchise Agreement	You will only need to pay this fee if you renew the Franchise Agreement, subject to performance of contractual requirements.
Additional Training	$500 per day plus transportation and lodging	15 days after billing	Additional training is provided, if necessary, for you, your managers or your employees
Refresher Training Program	Out of pocket expenses only, which will depend on the location of the program and the level of experience of our representative	As incurred	This is an annual refresher training program lasting up to five days

Name of Fee (1)	Amount	Date Due	Remarks
Audit	(a) the amount of the deficiency; (b) if audit is due to understatement of gross revenues by 2% or more or due to non-reporting, then the cost of inspection must also be paid by you (estimated to be between $1,000 and $5,000)	15 days after billing	You pay twice the deficiency, if you fail to furnish information in a timely fashion, and can be terminated.
Interest on Late Payments	Lesser of 18% per annum or highest rate allowed by law	Upon billing	Payable on all overdue amounts
Late Charge	$250	As incurred	In addition to interest on any overdue amounts, you must also pay a late charge for each payment that is more than 10 days overdue.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your Facility's operations
Liquidated Damages	See footnote 2	15 days after termination	
Manual Replacement Fee	$500	Upon billing	If you request an additional or replacement Operations Manual
Supplier Evaluation	Our costs and expenses (not to exceed $500)	Upon billing	If you request us to evaluate a new supplier or product for possible approval
Refurbishment	Will vary under circumstances (the range of the refurbishment costs will be disclosed once we have franchisees who have refurbished their Facility)	As incurred	We may require you to refurbish or upgrade your Facility to meet our then-current image. We will not require you to refurbish or upgrade your Facility more frequently than every five years

Name of Fee (1)	Amount	Date Due	Remarks
Checking/POS System	$179 per month	As billed by Club Ready for the mandatory full-service billing platform.	You will pay this amount directly to ClubReady (see Item 11 under "Computer System"). The quoted fee is for three users.
Website Fee	$75 per month	As billed	The Website Fee is payable to the website supplier, Cybermark.

1. All fees are imposed by and payable to us, except as described above, and are non-refundable.

2. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Continuing Service Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

3. The term "Gross Revenue" includes the total during any month of all sales, monies, revenues, charges and receipts received by you or any other person which are derived from services sold at the Facility and from all sales and orders made, solicited or received at the Facility, and from all other business whatsoever conducted at or from the Facility or related in any way to the Facility, whether these revenues are evidenced by cash, credit (and regardless of collection in the case of credit), checks, credit cards, gift certificates, scrip, coupons, services, property or other means of exchange, and whether the sales are of vending or coin operated machine items, services, merchandise or products of any nature whatsoever. However, Gross Revenue shall not include (i) sales taxes or other taxes measured on the basis of the Gross Revenue of the business imposed by governmental authorities directly on sales and collected from customers, provided the taxes are added to the selling price and are in fact paid by you to the appropriate governmental authorities; and (ii) sales for which refunds have been made to customers if the sales have been previously included in Gross Revenue for which a Continuing Service Fee was paid.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – FULL FACILITY FRANCHISE

Expenditure	Estimated Cost	Method of Payment	When Due	To Whom Payment Made
Initial Franchise Fee (1)	$35,000	In full	Upon signing Franchise Agreement	Us
Equipment (2)	$25,000 - $50,000	As Arranged	As Arranged	Suppliers and vendors
Furniture & Fixtures (2)	$1,500 - $5,000	As Arranged	As Arranged	Suppliers and vendors

Expenditure	Estimated Cost	Method of Payment	When Due	To Whom Payment Made
Sound Proofing (2)	$3,500 - $14,000	As Arranged	As Arranged	Suppliers and vendors
Real Property (3 months) (3)	$16,000- $40,000	Monthly	As Arranged	Lessor
Leasehold Improvements; Construction Costs (4)	$7,000 - $15,000	Progress Payments	As Arranged	Contractor
Signage (5)	$2,000 - $5,000	As Arranged	As Arranged	Suppliers
Opening Inventory and supplies (6)	$3,000 - $5,000	As Arranged	As Arranged	Suppliers
Pre-Sale and Grand Opening Advertising (7)	$6,500 - $15,000	As Arranged	As Incurred	Suppliers
Travel and Initial Training (8)	$2,500 - $3,000	As Arranged	As Arranged	Suppliers of transportation, food, lodging
Insurance (3 month) (9)	$900 - $1,500	As Arranged	As Incurred	Insurers
Utilities	$300 - $2,000	As Arranged	As Incurred	City, Town
Security Deposits (10)	$1,800 - $12,000	As Arranged	As Incurred	Lessor, Utility Companies
Blue Prints, Business Licenses and Permits	$1,000 - $3,000	As Arranged	As Incurred	City, Town
POS/Check-in System (3 months)	$537	As Arranged	Monthly	ClubReady or Supplier
Computer System	$2,000 - $3,000	As Arranged	As Incurred	Suppliers
Website Fee – 3 months	$225	As Arranged	Monthly	Vendor
Professional Fees (11)	$1,000 - $3,000	As Arranged	As Incurred	Professionals
Third Party Training Expense	$100	Lump sum	As incurred	Third party supplier of CPR certification course
Sound System	$700 - $4,000	As Arranged	As Incurred	Vendor
Music Licensing	$500 - $1,000	As Arranged	As Incurred	Vendor
Surety Bond, if required by your state	$750 - $2,500	As Arranged	As Incurred	Vendor

Expenditure	Estimated Cost	Method of Payment	When Due	To Whom Payment Made
Automated External Defibrillator (AED), if required by your state	$1,200 - $2,000	As Arranged	As Incurred	Vendor
Additional Funds (12) (3 months)	$12,000 - $30,000	As Arranged	As Incurred	Suppliers
TOTAL (13)	$125,012 - $251,862			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

1 Franchise Fee. The initial franchise fee is discussed in detail in Item 5, as well as the Area Development Fee. In the State of Minnesota, we will defer the payment of the initial franchise fee, development fee and any other initial payment until you open your business and it is operating.

2 Equipment, Furniture & Fixtures. You will need to purchase the following equipment, furniture and fixtures for your Facility: gym mats, heavy bag racks, heavy bags, and reception desk. You may also choose to purchase pads for pad training and small hand weights for personal training with your members, but these items are not necessary to operate a Facility. All equipment, furniture and fixtures must be inspected and maintained on a regular basis to ensure safety. Sound proofing expenses are only if applicable.

3 Real Property. You will need approximately 2,000 to 6,000 square feet of interior space for your Facility, which should be located in a high end commercial space. The low end of the estimated amount in the chart is if you choose to open a Facility of approximately 2,000 square feet. The high end of the estimated amount in the chart is if you choose to open a Facility of approximately 10,000 square feet. The cost per year for leasing commercial space varies considerably depending upon the location and market conditions affecting commercial property. We estimate the costs of leasing commercial space to be anywhere from $36,000 to $180,000 per year. This figure does not include the cost of electric or any other charges. Security deposits could be one to three months as additional rent, which may be required by the Lessor.

4 Construction Costs. You will need to install plumbing, lighting and electrical system, carpeting and painting which comply with our specifications. The cost will vary depending on the condition of the Facility and the amount of construction work and/or dollars negotiated from the landlord.

5 Signage. You will need to install interior and exterior signage in compliance with our guidelines.

6 Inventory and Supplies. You will need our pre-approved forms, stationery, Branded CKO Kickboxing apparel, gloves, hand-wraps, key tags and uniforms and some healthy beverages.

7 Pre-Sale and Grand Opening Advertising. During the first 90 days after opening your Franchised Business, the advertising which you need may include media buys and promotional items including point-of-sale displays and merchandise. This grand opening expenditure must be spent during this six month period. We reserve the right to have you to pay this amount to us so that we can organize and conduct the grand opening promotion.

8 Training. You will have salary, travel and lodging expenses. You will also have expenses associated with our initial training program. For this training program, we provide instructors and instructional materials, but you will need to arrange for transportation, lodging and food for yourself and employees and for any wages for the employees. The cost will depend on the distance you must travel and the type of accommodations you choose.

9 Insurance. The figures in the chart are monthly premiums. Depending on your insurance company, you may have to pay the entire annual premium in a lump sum; generally you pay your premiums quarterly or semi-annually.

10 Security Deposits. These are estimated security deposit amounts for your leased premises. Security deposits may be refundable.

11 Professional Fees. You will need to have an attorney and an accountant and possibly other professionals.

12 Additional Funds. You will need capital to support ongoing expenses, such as payroll, utilities, and local advertising if these costs are not covered by sales revenue for your first three months of operation. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate and there is no guarantee that additional working capital will not be necessary during this start-up phase or after.

16 Total Capital Required. We relied upon our principals' experience in the fitness industry since 1997 in preparing these figures. However, these figures are merely estimates and there is no assurance that additional working capital will not be necessary during this initial phase or after. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

Unless otherwise specified in the notes above, none of the estimates shown in the Item 7 table are refundable.

YOUR ESTIMATED INITIAL INVESTMENT – AREA DEVELOPER

If you become an Area Developer, you will pay a Development Fee as described in Item 5. The Development Fee is applied pro rata to the Franchise Fee due for each franchised business to be developed after the first. The reduced initial franchise fee will be $24,500 for each additional Facility to be developed after the second Facility. For each business you develop under the Area Development Agreement, you can expect to have an initial investment as estimated above for a start-up franchise, subject to potential increases over time or other changes in circumstances. If you sign an Area Development Agreement, your professional fees such as legal and financial may be higher.

For example, if you sign an Area Development Agreement to open 2 Facilities under separate Franchise Agreements, the following chart shows your estimated initial investment, based on the first table of this Item 7.

Item	Estimated Cost	Method of Payment	When Due	To Whom Paid
Development Fee ($35,000 for 1st business and $24,500 for the 2nd business)	$59,500	Lump Sum	When Area Development Agreement is Signed	Us
Other Expenditures** for first business	$90,012 - $216,862	As Disclosed in First Table	As Disclosed in First Table	As Disclosed in First Table
Total	$149,512 - $276,362			

**The other costs to develop additional businesses may be affected by factors including inflation, local labor costs, materials cost and other factors not within our control.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Our reputation and goodwill is based on, and can be maintained only by, the sale of high quality services and the presentation and sale of those services in an efficient and appealing manner. The services include the 10-Week Program, coaching, and other activities offered in your Facility. We have developed standards and specifications for these services provided by you. You must operate your Franchised Business according to these standards. These standards will regulate the types, models and brands of required fixtures, furnishings, equipment (including computer hardware and software), signs, materials and supplies to be used in operating your Facility, model plans and specifications for typical configurations for the layout of your Facility, required or authorized products and services offered to customers and product categories and designated or approved suppliers of certain items (which may include us), such as gloves, hand wraps, CKO Kickboxing apparel, gym mats, heavy bag racks, heavy bags and similar items. You must also purchase and install the computer system and approved software we require for your Facility. The approved software will assist with member/guest management, member/guest check-in and accounting needs.

Currently we are not an approved or designated supplier for any item. We have negotiated a purchase agreement with ClubReady for their POS and front desk software, its full-service billing platform and its PIQ App and Heart Rate Monitor; Fuji Sports for their mats and gloves; Asian World or Century Martial Arts for the heavy bags; Hoboken Steel, Vita Fitness, and Monster Racks for their racks; Cybermark for its website; Go Daddy for its email access. You will benefit from these purchase agreements.

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

We estimate that your purchases from approved suppliers or that conform to our specifications will represent approximately 50% of your total purchases in establishing the Facility, and approximately 10% in the continuing operation of the Facility. Other than ClubReady, we currently do not have any agreements with suppliers for receipt of rebates or other forms of payment. We may negotiate purchase arrangements with approved suppliers and may receive consideration from these suppliers, such as rebates, commissions or other payments. If we receive these rebates, commissions or other payment, we may use the money for any purpose we determine, unless otherwise required by the approved supplier.

In fiscal year 2021, no monies were collected for required purchases from approved suppliers. We do not provide any material benefit to you based on your use of designated or approved suppliers.

You will need our pre-approved forms, stationery and uniforms. You may purchase these items from any supplier that will maintain the Proprietary Marks and logos in the manner we specify.

Although there are no other goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of your Franchised Business that you must purchase or lease from us or a designated supplier, you must purchase or lease fixtures, equipment, including furnishings, products and related supplies that meet our minimum standards and specifications or are from suppliers that we approve. We will notify you in our Confidential Operations Manual (the "Manual") or other communications of our standards and specifications and/or names of approved suppliers. We do not provide material benefits to you if you use our designated or approved suppliers. There may be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be considered an approved supplier. There are currently no purchasing or distribution cooperatives.

If you want to use any product, material, equipment or render any service that does not comply with the standards of the System or is to be purchased from a supplier that has not yet been approved, you must first submit a written request for approval and obtain our approval of the supplier before purchasing any items from this supplier or obtain our approval to render any requested service. We will, within a reasonable time (within 30 days), notify you of our decision. We may require you or the supplier to reimburse us for our costs and expenses related to evaluating the supplier or product. We will periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Approval of a supplier may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments, financial stability, integrity of standards of service, familiarity with our System and ability to negotiate favorable terms for our franchisees. We do not generally make available to you these criteria for supplier approval.

You must offer for sale all services approved by us and only those services approved by us, as they periodically exist. All services approved by us must be offered for sale on a continuous basis at your Facility at the time and in the manner required by us. No sale of any service except those services approved by us may be solicited, accepted or made at or from your Facility. If requested by us on at least 30 days' notice as part of a general program or standardization effort by us, the marketing of a service must be discontinued. Then this service ceases to be an approved service.

We may occasionally conduct market research and testing to determine consumer trends and salability of new products, materials and services. You must cooperate by participating in our market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with any test marketing, you must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell the products, materials and services.

You may not: (a) render any service at or from any place except your Franchised Business; or (b) deliver any service at any place other than your Franchised Business; or (c) during the term of the Franchise Agreement, you shall not individually or in conjunction with any person, firm, partnership, corporation, or other third party as principal, agent, shareholder, director, officer, employee, consultant or guarantor or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in the establishment or operation of any business which consists primarily of the operation of a Facility or facilities, which offer fitness classes or activities.

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require. We may regulate the types, amounts, terms

and conditions of insurance coverage required for your Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims.

You currently must maintain the following insurance coverage: (1) comprehensive public liability insurance and comprehensive product liability insurance, including employment practices coverage, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of your Franchised Business or your conduct of business pursuant to the Franchise Agreement under one or more policies of insurance containing minimum liability coverage of $1,000,000 per occurrence and $3,000,000 aggregate; (2) general casualty insurance including fire and extended coverage, vandalism, theft, burglary and malicious mischief insurance for the replacement value of your Franchised Business and its contents of at least $500,000; (3) Workers' Compensation or other employer's liability insurance as well as any other insurance as may be required by statute or rule in the state in which your Franchised Business is located; (4) business interruption and rent insurance for a period adequate to re-establish normal business operations with coverage adequate to coincide with the value of your Franchised Business premises and its contents; and (5) comprehensive plate glass insurance, if applicable. You must maintain all required policies in force during the entire term of the Franchise Agreement and any renewal terms. We may periodically increase or decrease the amounts of coverage required under these 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 law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we request, our directors, employees or shareholders) as additional insureds and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy.

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 disclosure document.

Obligation	Article in Franchise Agreement	Article in Development Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Article III	Article II	Items 7 and 11
(b) Pre-opening purchases/lease	Article VIII	Not Applicable	Items 7 and 11
(c) Site development and other pre-opening requirements	None	Not Applicable	Items 7 and 11
(d) Initial and ongoing training	Article VI	Not Applicable	Items 6, 7 and 11
(e) Opening	Article III	Article I	Item 11

Obligation	Article in Franchise Agreement	Article in Development Agreement	Item in Disclosure Document
(f) Fees	Article IV	Article III	Items 5, 6, 7 and 8
(g) Compliance with standards and policies/Operations Manual	Articles VIII and X	Not Applicable	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	Article IX	Not Applicable	Items 13 and 14
(i) Restrictions on products/services offered	Article VIII	Not Applicable	Items 8 and 16
(j) Warranty and customer service requirements	None	None	None
(k) Territorial development and sales quotas	Article I	Article I	Item 12
(l) On-going product/service purchases	Article VIII	Not Applicable	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Articles II and VIII	Not Applicable	Item 6
(n) Insurance	Article XII	Not Applicable	Items 7 and 8
(o) Marketing	Article IV	Not Applicable	Items 6, 7 and 11
(p) Indemnification	Article XXI	Article IX	Item 6
(q) Owner's participation/ management/staffing	Articles VIII and XI	Article I	Items 11 and 15
(r) Records/reports	Article IV	Not Applicable	Item 6
(s) Inspection/audits	Articles IV and XI	Not Applicable	Item 6
(t) Transfer	Article XVI	Article VI	Items 6 and 17
(u) Renewal	Article II	Article I	Items 6 and 17
(v) Post-termination obligations	Article XIV	Article V	Item 17
(w) Non-competition covenants	Article XV	Article V	Item 17
(x) Dispute resolution	Article XXII	Article VIII	Item 17
(y) Liquidated Damages	Article XIV	None	Item 6

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or any other obligation.

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

Except as listed below, Club KO Franchise LLC is not required to provide you with any assistance.

Before you open your Franchised Business, we will:

1. Use our best efforts to assist you in evaluating a suitable location for your Facility and, after you have selected and we have approved the site, designate your exclusive area or territory. The site must meet our criteria for number of residential homes in the surrounding area, size and cost of the property and other similar factors, including our best business judgment. We may reject any proposed location in our sole discretion. If a mutually agreeable site for your Facility has not been located within six months after we sign the Franchise Agreement, we reserve the right to terminate the Franchise Agreement and keep the initial franchise fee you paid (Franchise Agreement – Section 3.1).

We require that certain terms be contained in a lease which you sign for your Facility. We may reject any lease which does not contain provisions which do not meet our standards, specifications and guidelines relating to non-competition on the premises, signage, hours of operation, insurance, default, assignment, subletting and renewal options (Franchise Agreement – Section 3.2).

2. Consult with you regarding the construction of the interior of your Facility or interior leasehold improvements. Provide you with model plans and specifications based on typical configurations for the layout of your Facility, including lists and specifications of approved furniture, fixtures, equipment and signs needed to outfit and furnish your Facility in accordance with our uniform image and standards (Franchise Agreement – Section 3.3).

3. Lend you one copy of the Manual (Franchise Agreement – Section 7.1).

4. Train you and one other person, the cost of which is included in your initial franchise fee (Franchise Agreement – Section 6.2). This training is described in detail later in this Item.

5. Provide, in addition to or in conjunction with the initial training program, assistance in the opening of your Facility for a period of up to one week before its opening (Franchise Agreement – Section 7.1(a)). If you are purchasing your second or later Facility, we reserve the right to not provide you with opening assistance.

6. Provide you with our directory of franchisees (Franchise Agreement – Section 7.5.1).

During the operation of your Franchised Business we will:

1. Provide guidance and assistance in the operation of your Facility. This guidance may be provided in the form of correspondence, field visits and periodic telephone or written communications, and will cover topics such as products or services to be offered to customers; improvements and developments

in your Facility; pricing; administrative, bookkeeping, accounting and inventory control procedures; and operating problems encountered by you (Franchise Agreement – Article IV).

2. Issue, modify and supplement standards for the System that may regulate any one or more of the following regarding your Franchised Business: (a) hours of operation, (b) marketing and sale of services, (c) instructions on the performance of specific employees' duties, (d) maintenance of equipment, (e) checklists, (f) records preparation and retention, (g) general rules and regulations for employees, and all other matters that in our sole judgment require standardization and uniformity in all Franchised Businesses (Franchise Agreement – Article XI).

National Marketing Fund

We will establish and maintain a national marketing fund ("Fund") when the time is right. When we notify you that the Fund has been established, you must pay a monthly, non-refundable Marketing Contribution to the Fund equal to 1% of gross revenues for the prior calendar month. The Fund will be used for national and regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. Some portion of the Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. We have the right to direct all marketing activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these marketing and promotional activities. The Fund is intended to maximize general public recognition in all media, of the Proprietary Marks and patronage of Facilities and we have no obligation to ensure that expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to payments of the Marketing Contribution by franchisees operating in that geographic area, or that any Facility will benefit directly or in proportion to the Marketing Contributions paid for the development of advertising and marketing materials or the placement of advertising. No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises. We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the Marketing Contribution (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Marketing Contribution) and in addition, for the services provided, we will receive out of the Fund an administrative fee equal to 10% of the amounts collected to cover our services, salaries, supplies and overhead expenses.

Your total required contribution to the Fund will not exceed 1% of gross revenues. If we determine the need to increase this contribution, we will give you 30 days' written notice of any increases. In fiscal year 2021, no contributions were collected.

Franchised Businesses owned by us or our affiliates will contribute to the Fund on the same basis as you. Funds from the Marketing Contributions will be kept separate and distinct and will be accounted for separately from our other funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred.

The Brand Fund and its earnings shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

When the market warrants, you should consider spending 5% of gross revenues on a monthly basis for local advertising and promotion in accordance with the Manual. We have advertising templates that we will provide to you so you may customize them for your Facility. You may choose to develop your own advertising, however, this advertising and promotion must have our prior written approval, and in

connection with this approval. You must periodically provide us with verification of all expenditures for local advertising, marketing and promotion within 30 days after we request it.

You must spend between $6,500 and $20,000 for pre-sale and grand opening advertising to be conducted by you in connection with the grand opening of your Franchised Business, which campaign must be conducted during the first 90 days after opening. We reserve the right to collect this amount from you and conduct your grand opening on your behalf. You must also advertise the name and location of your Franchised Business continuously in Google AdWords, Instagram, Facebook, and other social media.

We reserve the right to collect some or all of your grand opening funds and/or your Local Advertising expenditure and implement grand opening campaign activities and/or Local Advertising on your behalf

You must list separately or participate in an advertisement in a Google listing for your Facility, containing the text as we may reasonably specify. The cost of the listing shall be paid by you, or by you and other participating franchisees in the case of a joint listing. We will not specify any unreasonably expensive listing.

In addition to the Marketing Contribution and in place of your individual local advertising, marketing and promotional expenditures, if the cooperative amounts are at least as much as your local advertising and promotion contribution, if a marketing cooperative is formed by our franchisees and approved by us, you must contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the marketing cooperative at the times agreed upon by the majority, and abide by the cooperative's rules. In no event shall your contributions to a cooperative exceed 2% of gross revenues, and all contributions to an advertising cooperative will count towards your local advertising requirement. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will have the power to require cooperatives to be formed, changed, dissolved or merged.

No funds which you pay to us for marketing will be used for advertising that is principally a solicitation for the sale of franchises.

Driving Force Strategy Calls

In March 2017, we formed an advisory council with the objective of the council assisting us with further increasing communication between franchisor and franchisees with ways to improve the System, the products offered by the Facilities, advertising conducted, and other matters determined appropriate. The advisory council acted solely in an advisory capacity and was group-based. In our desire to have even greater communication and effectiveness with individual franchisees, in 2019, we disbanded the Advisory Council and instituted a Coaching Program in its place. The highly-trained coaches were in communication with individual franchisees on a regular basis with their sole purpose being to improve business effectiveness, strengthen skills, stress the importance of all forms of social media contacts/marketing, and offer advice and guidance.

The Coaching Program has evolved with some amendments to increase overall connection and communication amongst franchisees and the corporate management team. We have implemented Strategy and Development Calls twice a week that all franchisees can join regularly. These calls are generally interactive and range from a wide list of topic discussions from sales and marketing to structure and operations. At times, we also invite different brands or industry leaders to present on the calls to offer our

franchisees additional leverage in the market. The Strategy and Development calls, often referred to as the "Driving Force Strategy Calls," have the added advantage of also allowing franchisees to discuss their goals and challenges as they navigate the ebbs and flows of business. Thanks to this approach, franchisees along with the leadership team can collaboratively work to help find solutions, build on ideas, and surpass expectations consistently.

Online Resource Portal

Our online Resource Portal is a vital tool that is at your disposal as a franchisee. It houses a wealth of information and content that is easily accessed. All important documents can be found there along with marketing content that you will use throughout the year.

Along with the online franchisees' portal, there is another separate resource portal for all franchisee approved CKO Kickboxing instructors. This portal houses instructional videos on class form, structure, pace, tone, etc. along with materials to help train your instructors.

With the hyper importance of social media connection and its fast changing pace, both Online Resource Portal sites are updated frequently, mobile-friendly and designed to deliver and to keep important CKO Kickboxing information at your fingertips.

CKO App

The CKO mobile app allows licensed access to all Club Ready subscribers of its full-service billing platform to book appointments, purchase services, etc. on their mobile devices.

CKO Go

All participants of CKO Go receive access to online CKO classes, taught by a variety of CKO instructors, all with their own styles and personalities, but all delivering the very same heart-pounding, calorie burning, stress relief classes for which CKO Kickboxing is known.

Participants of CKO Go also have access to the CKO Kickboxing library which includes meal plans, food logging, nutrition info, and even meditation strategies.

CKO Attack 30

CKO Attack 30 is thirty minutes of high-intensity, personal training that encompasses all punches and kicks directly on the heavy bags.

Website / Extranet

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). We will have a minimum of 10 business days to review the potential websites. As used in the Franchise Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to the Facility, Proprietary Marks, us, or the System. The term Website includes Internet and World Wide Web home pages.

In connection with any Website, the Franchise Agreement states that you may not establish a Website related to the Proprietary Marks or the System, nor may you offer, promote, or sell any products or services, or make any use of the Marks, through the Internet without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website. The Website Fee is $75 per month, payable directly to the vendor. The Website Fee is for creation and maintenance of your website and search engine optimization.

We will have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between us, our franchisees, and other persons and entities that we decide are appropriate. If we require, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the extranet that you must acknowledge and/or sign.

You are strictly prohibited from promoting your Facility or using the Proprietary Marks in any manner on any social or networking Websites, such as Facebook, LinkedIn, Twitter, Instagram, You Tube, etc., without our prior written consent. Social media is for CKO Kickboxing business marketing purposes only and our prior written consent is required. Your usage of social media must remain professional, ethical and positive throughout.

Site Selection and Opening

We estimate that between 90 to 180 days will elapse from the date the Franchise Agreement is signed to the opening of your Facility for business. The ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs, are factors which may affect the time period of the opening. The Franchise Agreement requires that your Facility must be opened for business not later than 90 days after we approve your location for your Facility. You may not open your Facility for business until: (1) you have complied with all requirements regarding site selection, leasing of the site and construction of the Facility; (2) we determine that your Facility has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance with plans and specifications we have approved; (3) the initial training program we provided has been completed to our satisfaction by all required persons; (4) the initial franchise fee and all other amounts due to us have been paid; (5) you have furnished us with all certificates of insurance required by the Franchise Agreement; (6) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Facility; (7) you are in full compliance with all the terms of the Franchise Agreement; and (8) all items in our opening checklist have been complied with to our satisfaction. The factors which we consider in approving your location include the number of residential homes meeting our criteria and projected growth, size and cost of property, competition and other similar factors, including statistics through the United States Census Bureau. If you fail to find an acceptable location within six months from the date you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement and retain the initial franchise fee paid to us.

Once you have located a potential site for your Facility, you must provide to us all of the information we require to review the site and determine whether it is an acceptable site. If we must travel to the site to review it, you will reimburse us for all of our travel, lodging, meals and wages expenses related to the review (not to exceed $500 per day). We will have a minimum of 10 business days to review the potential site you have chosen. Our approval of a site is not a representation, warranty or guaranty that you will be successful at that site. Our approval only indicates that the site meets our then-current minimum criteria for a Facility.

Training Programs

Before the Franchised Business's opening, we will provide a mandatory training program in the operation of your Franchised Business to you and one of your employees that you may designate, for a total of two people. One of the trainees must be the individual responsible for the day-to-day management of your Facility. The initial training program is approximately eight days long- the majority of which will take place at our headquarters in Hoboken, New Jersey and the rest of which will take place virtually. The initial training program will take place before your opening for business, but not before the Franchise Agreement is signed. If you fail to complete the training program to our satisfaction, we may elect to terminate the Franchise Agreement and keep the entire initial franchise fee. The cost of the training program is included in your initial franchise fee and will be provided to you and up to one other employee (for a total of two people). However, you must pay for all costs of travel, food, lodging and other incidental expenses incurred by you and your employees who attend the training program (Franchise Agreement – Section 6.2). In addition to or in conjunction with the initial training program, at our sole discretion, we shall provide assistance in the opening of your Facility for a period of up to one week before its opening (Franchise Agreement – Section 7.1(a)). If you are opening your second or later Facility, we reserve the right to not provide opening assistance.

At your request, we will also provide you with additional training programs, refresher courses or "on-the-job" training at a mutually convenient time. You must pay us our then-current per diem fee (which is currently $500) for each of our representatives conducting this training for each day the training continues. You must also pay all expenses of travel, lodging and meals incurred by our representatives. (Franchise Agreement – Section 6.3.)

The instructional material we use includes our Confidential Operations Manual, Online Resource Portals, and any other materials as we believe will be beneficial to our franchisees in the training process. There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules. We project the following training schedule:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Kickboxing Techniques	1	2	Hoboken, New Jersey
Company History, Vision and Overview	0.5	0	Hoboken, New Jersey
Startup	1.5	0	Hoboken, New Jersey
Form & Paperwork	1	0	Hoboken, New Jersey
Kickboxing Orientation	0	3.5	Hoboken, New Jersey
Kickboxing Classes	0	10.5	Hoboken, New Jersey
Observation of/Participation in Classes and Operations	0	11	Hoboken, New Jersey
Accounting/Personnel/Office Procedures	2	0	Hoboken, New Jersey
Membership/POS Training	1.5	1	Hoboken, New Jersey

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Marketing/Advertising	3	0	Hoboken, New Jersey
Review/Questions and Answers	8	0	Hoboken, New Jersey
10 Week Training Program	1	0	Hoboken, New Jersey
Phone Calls/E-mail Handling	1	1	Hoboken, New Jersey
Working the Front Desk	0	2	Hoboken, New Jersey
Teaching Kickboxing	0	2	Hoboken, New Jersey
Sales Strategies	3	0	Hoboken, New Jersey
Product Knowledge	1	0	Hoboken, New Jersey
Dress Code	0.5	0	Hoboken, New Jersey
Customer Appreciation/ Problem Resolution	2	0	Hoboken, New Jersey
Strength Training and Nutrition	2	0	Hoboken, New Jersey
Startup and Grand Opening	4	0	Hoboken, New Jersey
Kickboxing/Weight Training/Personal Training	2	0	Hoboken, New Jersey

Please note, we reserve the right to conduct total virtual training, if required.

Notes:

1 It is the nature of the business that all aspects of the training are integrated so there are no definitive starting and stopping times.

2 All of our instructors are part of our management. Michael Andreula is our Head Trainer. The minimum experience of our management and the training instructors in the field that is relevant to the subject taught and our operations is from 7 to 20 years.

We anticipate holding regularly scheduled refresher training classes, some of which may be mandatory, that shall be approximately 2 to 5 days in duration and will be offered approximately 3 or 4 times a year, as needed. These training sessions may include improvements to the System, to introduce new products, and other issues. For mandatory training sessions, we will advise you of the designated personnel who must attend training. You must pay for the trainee's travel, lodging, meals and wages while he/she attends training. We anticipate that the majority of mandatory training will be provided to the head trainer for your Facility.

In addition, we anticipate holding regional or national meetings of our franchisees to learn new improvements to the System and to take instructions from us on new procedures or requirements, among other things. We may designate any meeting as being mandatory. We will bear the costs of holding the meeting, but you must pay for your travel, lodging, meals and wages expenses. If we excuse you from

attending any mandatory meeting for reasonable necessity, we can require you to attend a make-up session. All costs of the make-up session, including fees for guest lecturers, rental of a meeting place, audio-visual equipment rental and reasonable compensation for our staff will be paid equally by all franchisees attending the make-up session. If you fail to attend the make-up session after missing a mandatory meeting, we have the right to terminate your Franchise Agreement.

You must have working in your Facility at all times during its operating hours an individual who has been certified to administer adult and children's cardiopulmonary resuscitation (CPR). Your state's laws may also require you to have an automated external defibrillator (AED) on-site with staff who are trained to use the AED device.

The Table of Contents for our Operations Manual is attached to this Disclosure Document as Exhibit G. Our Operations Manual includes approximately 175 pages.

Computer Systems and Software

You must purchase an internet-based member management and point-of-sale system including peripheral equipment and communications equipment. The point of sale system will include the cash drawer, thermal printer, LCD customer display, and credit card reader. We require that you use the ClubReady Corporation (www.clubready.com) web based club management service. We anticipate that the initial cost of the computer system and required software will be between $2,150 and $3,300. We strongly recommend that you purchase a maintenance contract for the computer system you purchase. The estimated cost of maintenance, updating, upgrading or support contracts for the computer system can range from $250 to $600 per year. Neither we nor any affiliate of ours will provide any updates, upgrades or maintenance for your computer system.

You must have high speed internet access (such as T-1, DSL, fiber optics or cable modem) and a dedicated e-mail address. We will use these methods to communicate with our franchisees. There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn out hardware or equipment.

We will have independent access to the information and data collected and/or generated by your computer, including sales data and membership activity. We must be added as a "read only" user on your computer system with rights to review the records of your Facility. All data obtained from our franchisees will become our property.

ITEM 12
TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate your Facility only at the Approved Location. If, at the time the Franchise Agreement is signed, a location for your Facility has not been obtained by you and approved by us, you will be given an area in which you may obtain your Approved Location. We will grant you an exclusive territory. Your exclusive territory gives you location exclusivity. We (and any affiliates that we periodically might have) will not sell or establish, nor allow another franchise owner to establish, a Facility located within the area that makes up your exclusive territory ("Exclusive Territory"). Your Exclusive Territory will be based upon population size and shall consist of a population of approximately 50,000 people or a 5-mile radius around your Facility, whichever is less, and will be delineated by zip codes, county lines or street names, as necessary. We obtain the population count through

the United States Census Bureau. You must obtain a location, subject to our approval, as provided in the Franchise Agreement.

During the term of the Franchise Agreement, we (and any affiliates that we periodically might have) have the right:

(1) to establish and operate, and grant rights to other franchise owners to establish and operate, Facilities or similar businesses at any locations outside your Exclusive Territory and on any terms and conditions we deem appropriate;

(2) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Facility (and/or franchise, license, and/or similar agreements for these businesses), some or all of which might be located anywhere, including within your Exclusive Territory. If there is a purchase or other acquisition, we may, in our sole discretion, (a) with respect to those businesses which are in your Exclusive Territory and are not franchised or licensed, (i) offer to sell these businesses to you or to any third party at their fair market value to be operated under our System, or (ii) offer you the opportunity to operate those businesses in partnership with us (or our affiliate) under their original trade identities or a different trade identity that does not include the Proprietary Marks. We have the right to choose which of these alternatives we think best; (b) with respect to those businesses which are franchised or licensed, act as franchisor and/or licensor of those businesses in compliance with the then-effective franchise and/or license agreements;

(3) to be acquired (regardless of the form of transaction) by a business identical or similar to Facility, even if the other business operates, franchises and/or licenses competitive businesses within your Exclusive Territory; and

(4) to engage in any other business activities not expressly prohibited by the Franchise Agreement, both within and outside your Exclusive Territory.

You may relocate your Facility within your Exclusive Territory only with our prior written approval. Our approval will be based upon many factors, including the viability of the then-current location and demographics (including number of households, size of the space and rental costs relating to the proposed location). You may not relocate your Facility without our prior approval. Our approval will not be unreasonably withheld. We will have a minimum of 10 business days to approve your new location. This approval should not be construed as an assurance or guaranty that the new site will be successful. Our approval is based on certain limited set of factors, such as the Business Population Index, traffic patterns, availability of parking, size of the space, lease terms, competition, and similar factors.

You may provide services to customers and prospective customers located within your Exclusive Territory. You may not engage in any promotional activities or sell any products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery System (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located outside of your Exclusive Territory; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of your Exclusive Territory. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Exclusive Territory, and will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Exclusive Territory, you may not make any sales or perform services to customers located

outside of your Exclusive Territory unless there is no Facility, either franchised or company-owned, located in close proximity to your Facility. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

Although we have not done so, we and our affiliates may sell products under the Proprietary Marks within and outside your Exclusive Territory through any method of distribution other than a Facility, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Exclusive Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products offered by a Facility calling for delivery or performance in your Exclusive Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this. There are no restrictions on the number of online membership signups you receive at your Approved Location. This electronic commerce program has not yet been instituted, but we plan on doing so in the future.

The ClubReady Corporation web based club management service allows for membership sales over the Internet. You are required to engage in online sales exclusively through the ClubReady management service.

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do within and outside of your Exclusive Territory.

Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Facility which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Exclusive Territory.

Area Development Agreement

You may (if you qualify) develop and operate a number of Facilities within a specified area (the "Territory"). We and you will identify the Territory in the Area Development Agreement before signing it. The Territory typically is a county or counties or other political subdivisions. We base the Territory's size primarily on the number of Facilities you will develop, demographics, and site availability. We and you will negotiate the number of Facilities you must develop to keep your development rights and the dates by which you must develop them, provided that you will develop a minimum of two or more Facilities. We and you then will complete the schedule in the Area Development Agreement before signing it. Subject to your rights under Franchise Agreements then in effect, we may, after the Area Development Agreement expires or is terminated, establish, or allow others to establish, Facilities within the Territory. While the Area Development Agreement is in effect, we will grant you an exclusive territory. We (and our affiliates) will not establish, or allow other franchise owners to establish, Facilities to be located within the Territory.

There are no other restrictions on us. You may not develop or operate Facilities outside the Territory. We may terminate the Area Development Agreement if you do not satisfy your development obligations when required.

Except as described above, continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Territory.

ITEM 13
TRADEMARKS

We grant to you the right to use certain trademarks, service marks and other commercial symbols in connection with the operation of your franchise. Our primary service mark is "CKO Kickboxing" with words and design (the "Proprietary Marks"). We have registered the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Filing Date	Serial Number	Registration Date	Registration Number
CKO Kickboxing	5/3/07	77/172,505	7/15/08	3,468,990
CKO	12/29/2016	87/283,871	8/22/2017	5,269,868
Real Bags Real Results	7/19/2017	87/533,985	2/6/2018	5,396,242
Gloves on, Pounds Off	3/6/2019	88/328,186	9/10/2019	5,857,104

We intend to file all affidavits and renew the Marks when they become due.

There are no currently effective determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court, nor is there any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Proprietary Marks which may be relevant to their use in this state or in any other state.

There are no agreements currently in effect which limit our right to use or to license others to use the Proprietary Marks.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We may defend you against any third party claim, suit or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. In the event of any litigation relating to your use of the Proprietary Marks, you must sign any and all documents and do the acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action.

Except if this litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Marks in this state or elsewhere.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks, but will otherwise have no obligation or liability to you as a result of any substitution.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no patents that are material to the franchise. You do not receive the right to use an item covered by a copyright, but you can use the proprietary and confidential information that is in our Manual. The Manual is described in Item 11 and below. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information in it is proprietary and confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, but will respond to this information as we think appropriate.

Confidential Operations Manual

You must operate your Franchised Business according to the standards, methods, policies and procedures specified in the Manual. One copy of the Manual is loaned to you by us for the term of the Franchise Agreement after you and your manager complete our initial training program to our satisfaction.

You must treat the Manual, any other of our manuals which are used in the operation of your Franchised Business, and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise give them to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place at the Franchised Business.

We may revise the contents of the Manual, and you must comply with each new or changed standard. You must make sure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information

You must not, during the term of the Franchise Agreement, or after the term of the Franchise Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or which you may learn because of your operation under the terms of the Franchise Agreement. Confidential information includes: (a) price lists and marketing plans and strategies; (b) proprietary computer software functions, capabilities, code, manuals, fixes, work arounds, revision plans, etc.; (c) customer lists, customer identities, customer contacts

and customer preferences (including identities and plans for approaching potential customers); and (d) leasing plans, rates and information. You may divulge this confidential information only to those of your employees who have access to and who operate your Facility. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

At our request, you must have your manager and any personnel having access to any of our confidential information sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Facility. The agreements must be in a form satisfactory to us, including specific identification of us as a third party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a competing business.

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

You must at all times directly supervise the operation of the Facility or you may employ a manager for this purpose. We recommend that you conduct direct, on-premises supervision of the Facility and not delegate this duty to third parties. The Facility must have constant supervision by you or by a manager who has satisfactorily completed our training program. You must also maintain a competent, conscientious, trained staff, including a fully trained manager (which may be you). If you are an individual, we recommend that you be the fully trained manager described above. We impose no limitations as to who you may hire as the manager, except that you must comply with all applicable laws and that you must not harm the goodwill associated with the System and the Proprietary Marks (this requirement may affect who you hire as your manager).

We have the right to approve the manager after training. The manager will not need to have an equity interest in your business. The manager must attend and complete our training program, as described in Item 11. The manager and other key employees may also have to sign an agreement not to compete with businesses under the System while employed by you and for two years after their employment ends, and an agreement not to reveal confidential information obtained while employed by you. See Item 17 for a description of these obligations. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Personal Guaranty, which is attached to our Franchise Agreement.

You must operate the Franchised Business in strict conformity with all applicable Federal, state and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and may be implemented or interpreted in a different manner. It is your sole responsibility to learn of the existence and requirements of all laws, ordinances and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Facility solely for the operation of your Franchised Business. You must keep your Facility open and in normal operation for the minimum hours and days as we specify. You must not use or permit the use of the Facility for any other purpose or activity at any time without first obtaining our written consent. You must operate the Facility in strict conformity with the methods, standards and specifications we may require in the Manual or in writing. You must not change the standards, specifications and procedures without our prior written consent.

You must sell or offer for sale only those services that we have approved for sale in writing; you must sell or offer for sale all types of services specified by us; you should not change our standards and specifications without our prior written consent; and you must stop selling and offering for sale any services which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized goods and services and there are no limits on our right to make changes.

We may determine the minimum and/or maximum selling price for the goods, products and services offered from your Facility, as permitted by applicable law, and you must comply with any minimum and/or maximum price we set. We make no assurances that offering products or merchandise at the required price we establish will enhance your sales or profits.

The System may be periodically supplemented, improved or modified by us. You must comply with all of our reasonable requirements in that regard, including offering and selling new or different products or services as specified by us.

You are restricted by the Franchise Agreement, the Manual and any other practice or custom with respect to the goods or services which you may offer, which must be approved by us. You are not restricted as to the customers whom you may solicit or service, except as described in Item 12.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision		Article in Franchise Agreement	Summary
a.	Term of the franchise	Article II	10 years
b.	Renewal or extension of the term	Article II	If you are in good standing as defined below, you can sign a successor agreement for an additional term of 5 years, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.”.

Provision		Article in Franchise Agreement	Summary
c.	Requirements for you to renew or extend	Article II	Provide notice, compliance with Franchise Agreement, sign new Franchise Agreement, sign a general release You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on successor agreement will not be greater than the fees that we then impose on similarly situated renewing franchisees
d.	Termination by you	None	You may seek to terminate your Franchise Agreement on any ground permitted by law
e.	Termination by us without cause	Not applicable	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within six months to a replacement franchisee that we approve
f.	Termination by us with cause	Article XIII	Breach of Franchise Agreement and other grounds; see Article XIII for details
g.	"Cause" defined - defaults which can be cured	Article XIII	Breach of Franchise Agreement and other grounds, such as failure to pay fees when due, misuse of Proprietary Marks, sale of an unapproved service; see Article XIII
h.	"Cause" defined - defaults which cannot be cured	Article XIII	Breach of Franchise Agreement, such as filing for bankruptcy or assignment for the benefit of creditors

Provision		Article in Franchise Agreement	Summary
i.	Your obligations on termination/non-renewal	Article XIV	Upon termination, you must: cease operations; cease to identify yourself as a CKO Kickboxing franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, any furnishings, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media accounts.
j.	Assignment of contract by us	Article XVI	No restriction on right to transfer
k.	"Transfer" by you - definition	Article XVI	Transfer all or substantially all of the assets of your business
l.	Our approval of transfer by you	Article XVI	We have the right to approve transfers
m.	Conditions for our approval of transfer	Article XVI	Includes payment of money owed, non-default, sign release, transferee qualifies and signs new agreement and payment of the transfer fee
n.	Our right of first refusal to acquire your business	Article XVI	We can match any offer
o.	Our option to purchase your business	Article XIV	Upon expiration or termination, we can buy your Franchised Business or purchase your equipment at fair market value
p.	Your death or disability	Article XVI	Franchise must be assigned to approved buyer within 12 months
q.	Non-competition covenants during the term of the franchise	Article XV	Includes prohibition on owning or operating business which sells similar services

Provision		Article in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Article XV	Includes prohibition on owning or operating business which sells similar services for two years and located within 100 miles of any unit in the System; Immediate and permanent stoppage of any oral, written, social media, etc. reference to our trademarked CKO
s.	Modification of the agreement	Article XXII	Must be in writing by both parties
t.	Integration/merger clause	Article XXII	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	Article XXII	Arbitration - New Jersey, or where we have our headquarters (subject to state law)
v.	Choice of forum	Article XXII	New Jersey or where we have our headquarters (subject to state law)
w.	Choice of law	Article XXII	New Jersey (subject to other state laws)

THE AREA DEVELOPER RELATIONSHIP

Provision		Article in Area Development Agreement	Summary
a.	Term	Article I	Term of development schedule
b.	Renewal or extension of the term	Article I	Not renewable
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable
d.	Termination by you	Not Applicable	You may seek to terminate your Area Development Agreement on any ground permitted by law
e.	Termination by us without cause	Not Applicable	

Provision		Article in Area Development Agreement	Summary
f.	Termination by us with cause	Article IV	Breach of Area Development Agreement and other grounds; see Article IV for details
g.	"Cause" defined-defaults which can be cured	Article IV	Breach of Area Development Agreement
h.	"Cause" defined - defaults which cannot be cured	Article IV	Breach of Area Development Agreement and other grounds; see Article IV
i.	Your obligations on termination/non-renewal	Article V	Lose development rights
j.	Assignment of contract by us	Article VI	No restriction on right to transfer
k.	"Transfer" by you - definition	Article VI	You cannot assign
l.	Our approval of transfer by you	Not Applicable	
m.	Conditions for our approval of transfer	Not Applicable	
n.	Our right of first refusal to acquire your business	Not Applicable	
o.	Our option to purchase your business	Not Applicable	
p.	Your death or disability	None	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Not Applicable	
r.	Non-competition covenants after the franchise is terminated or expires	Article V	Includes prohibition on owning or operating business which sells similar services for two years and located within 100 miles of any unit in the System; Immediate and permanent stoppage of any oral, written, social media, etc. reference to our trademarked CKO

Provision		Article in Area Development Agreement	Summary
s.	Modification of the agreement	Article VII	Must be in writing by both parties
t.	Integration/merger clause	Article VII	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and area development agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article VIII	Arbitration - New Jersey, or where we have our headquarters (subject to state law)
v.	Choice of forum	Article VIII	New Jersey or where we have our headquarters (subject to state law)
w.	Choice of law	Article VII	New Jersey (subject to other state laws)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Joseph Andreula at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 and (201) 963-7774, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2019, 2020, 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	86	85	-1
	2020	85	66	-19
	2021	66	63	-3
Company-Owned	2019	0	1	+1
	2020	1	0	-1
	2021	0	0	0
Total Outlets	2019	86	86	0
	2020	86	66	-20
	2021	66	63	-3

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019, 2020, 2021

State	Year	Number of Transfers
California	2019	0
	2020	1
	2021	0
Nebraska	2019	0
	2020	0
	2021	1
New Hampshire	2019	1
	2020	0
	2021	0
New Jersey	2019	2
	2020	1
	2021	1
New York	2019	0
	2020	0
	2021	1

State	Year	Number of Transfers
Texas	2019	1
	2020	0
	2021	2
Total	**2019**	**4**
	2020	**2**
	2021	**5**

Table No. 3
Status of Franchised Outlets
For years 2019, 2020, 2021

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	2	5
	2021	5	1	0	0	0	0	6
Florida	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
Michigan	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
Nebraska	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Nevada	2019	1	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Hampshire	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
New Jersey	2019	38	0	0	0	1	2	36
	2020	36	0	0	0	0	7	29
	2021	29	2	0	0	0	5	26
New York	2019	18	3	0	0	0	2	18

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2020	18	2	0	0	0	5	13
	2021	13	2	0	0	0	2	13
North Carolina	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	3	0
	2021	0	0	0	0	0	0	0
Pennsylvania	2019	6	0	0	0	0	1	5
	2020	5	0	0	0	0	1	4
	2021	4	0	0	0	0	1	3
South Carolina	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
US Subtotal	2019	85	4	0	0	1	4	84
	2020	84	0	0	0	0	19	65
	2021	65	6	0	0	0	9	62
Ontario, Canada	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total	2019	86	3	0	0	0	4	85
	2020	85	0	0	0	0	19	66
	2021	66	6	0	0	0	9	63

Table No. 4
Status of Company-Owned Outlets
For years 2019, 2020, 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New Jersey	2019	0	0	1	0	0	1
	2020	1	0	1	0	1	0
	2021	0	0	0	0	0	0
Total	2019	0	0	1	0	0	1
	2020	1	0	1	0	1	0
	2021	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, 2021

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Connecticut	1	0	0
Florida	4	3	0
Michigan	0	0	0
Nevada	0	0	0
New Jersey	1	1	0
New York	2	0	0
North Carolina	0	0	0
Pennsylvania	0	0	0
South Carolina	1	0	0
Texas	1	1	0
TOTAL	10	6	0

A list of the names of all franchisees and area developers and the addresses and telephone numbers of their businesses is provided in Exhibit E to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Area Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit F to this

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

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Club KO System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Club KO System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit H are our audited financial statements as of December 31, 2019, December 31, 2020 and December 31, 2021.

Our fiscal year end is December 31.

ITEM 22
CONTRACTS

The Franchise Agreement is attached to this Disclosure Document as Exhibit C. The Area Development Agreement is attached to this Disclosure Document as Exhibit D. The General Release is attached to this Disclosure Document as Exhibit I.

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Commissioner of the Department of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814
(916) 445-7205

1350 Front Street
San Diego, CA 92101
(619) 525-4233

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559

CONNECTICUT

State of Connecticut
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Agent: Banking Commissioner

HAWAII

(state administrator)

Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(agent for service of process)

Commissioner of Securities
State of Hawaii
335 Merchant Street
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA
(state administrator)

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

(agent for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND
(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN
(state administrator)

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

(for service of process)
Corporations Division
Bureau of Commercial Services
Department of Labor and Economic Growth
P.O. Box 30054
Lansing, Michigan 48909

MINNESOTA
(state administrator)

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

(for service of process)
Minnesota Commissioner of Commerce

NEW YORK
(Administrator)
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 Phone (212) 416-6042 Fax

(Agent for service of process)
Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

NORTH DAKOTA

North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 East Boulevard Avenue
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Agent: Director of the Department of Consumer and Business Services

RHODE ISLAND

Division of Securities
Rhode Island Dept. of Business Regulation
John O. Pastore Complex – Bldg. 69-1
1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid Avenue, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON
(state administrator)

Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501
(360) 902-8760

(for service of process)
Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501

WISCONSIN
(state administrator)

Division of Securities
Department of Financial Institutions
201 W. Washington Ave., 3rd Floor
Madison, Wisconsin 53703
(608) 266-1064

(for service of process)
Administrator, Division of Securities
Department of Financial Institutions
201 W. Washington Ave., 3rd Floor
Madison, Wisconsin 53703

EXHIBIT B TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUM

EXHIBIT B TO THE DISCLOSURE DOCUMENT

ADDENDUM TO CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA APPENDIX

1. 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 or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement and Area Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

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

7. The Franchise Agreement and Area Development Agreement require application of the laws of New Jersey. This provision may not be enforceable under California law.

8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

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

11. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that the highest interest rate allowed under California law is 10% per annum.

12. Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.

13. OUR WEBSITE, www.ckokickboxing.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B
ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND
AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Payment of the Initial Franchise Fees and Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

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

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B TO THE DISCLOSURE DOCUMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND

The amendments to the Disclosure Document included in this addendum have been agreed to by the parties.

1. The provision contained in Item 17 may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The Franchisee Disclosure Acknowledgement Statement (Exhibit J to the Disclosure Document) is amended to state all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Item 17 of the Franchise Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Item 5 of the Franchise Disclosure Document is amended to state that based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____

_____
Witness

EXHIBIT B

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchises.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B TO THE DISCLOSURE DOCUMENT

ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT FOR THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ___ day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreement and Area Development Agreement as follows:

1. Item 13 of the Disclosure Document and Article IX of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document and Section 2.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document and Section 22.11 of the Franchise Agreement and Section 8.11 of the Area Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

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

4. Item 17 of the Disclosure Document and Sections 2.2 and 16.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Section 22.2 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Section 22.4 of the Franchise Agreement and Section 8.4 of the Area Development Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Sections 9.6 and 22.4 of the Franchise Agreement is hereby amended accordingly.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy

code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

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

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

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

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

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

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B TO THE DISCLOSURE DOCUMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 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 of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT B TO THE DISCLOSURE DOCUMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF 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 the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

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

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT C TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

CLUB KO FRANCHISE LLC

FRANCHISE AGREEMENT

FRANCHISEE

DATE

TABLE OF CONTENTS

ARTICLE I **2**

GRANT OF FRANCHISE 2

1.1 Grant *2*
1.2 Location *2*
1.3 Non-Exclusivity *3*
1.4 Limitations on Sale of the Approved Services *3*
1.5 Rights Reserved to Franchisor *3*

ARTICLE II **4**

TERM 4

2.1 Initial Term *4*
2.2 Form and Manner of Successor Term *4*
2.3 Failure to Renew *5*

ARTICLE III **5**

PREMISES 5

3.1 Location of Facility *5*
3.2 Lease of Premises of Facility *5*
3.3 Development of Facility *5*
3.4 Equipment, Furniture, Furnishings and Signs *6*
3.5 Opening for Business *6*

ARTICLE IV **7**

FEES AND REPORTING 7

4.1 Initial Franchise Fee *7*
4.2 Continuing Service Fee *7*
4.3 Marketing Contributions *7*
4.4 Definition of Gross Revenue *8*
4.5 Late Payments *8*
4.6 Application of Payments *8*
4.7 Bookkeeping, Accounting and Records *9*
4.8 Reports and Tax Returns *9*
4.9 Audit *9*
4.10 Information from Others *9*
4.11 Inspection *9*

ARTICLE V **10**

ADVERTISING AND PROMOTION 10

5.1 The Fund *10*
5.2 Local Advertising *11*
5.3 Additional Local Advertising *11*
5.4 Marketing Cooperatives *11*
5.5 Grand Opening Advertising *12*
5.6 Website *12*

ARTICLE VI **13**

TRAINING AND TECHNICAL ASSISTANCE 13

6.1 Managerial Responsibility *13*
6.2 Initial Training Program *13*
6.3 Hiring and Training of Employees by Franchisee *13*
6.4 Operating Assistance *14*

ARTICLE VII **14**

DUTIES OF FRANCHISOR 14
7.1 Franchisor's Duties *14*
7.2 Products and Services *15*
7.3 System Maintenance *15*
7.4 Meetings *15*
7.5 Directories *16*
7.6 Pricing *16*

ARTICLE VIII **17**

DUTIES OF THE FRANCHISEE 17
8.1 Obligations of Franchisee *17*
8.2 Inventory *21*
8.3 Computer Hardware and Software Systems *21*
8.4 Mutual Dependence *21*
8.5 Uniformity *21*
8.6 Variances *22*
8.7 Relationship with Former Franchisees *22*
8.8 Parties to Litigation *23*

ARTICLE IX **23**

PROPRIETARY MARKS 23
9.1 Proprietary Marks *23*
9.2 License of Proprietary Marks *23*
9.3 Franchisor Retains Ownership *23*
9.4 Use of Proprietary Marks *23*
9.5 Approval of Items Using Proprietary Marks *23*
9.6 Cessation of Use after Expiration, Termination or Non-Renewal *24*
9.7 Notification of Infringement *24*
9.8 Franchisor to Defend *24*
9.9 Franchisee to Use Only Designated Proprietary Marks *24*
9.10 Inspection *24*
9.11 Copyright and Trademark Symbols *25*
9.12 No Right to Deny Use of Proprietary Marks *25*
9.13 Avoidance of Conflict *25*
9.14 Indemnification *25*
9.15 Limited License *25*
9.16 Name Registrations *26*

ARTICLE X **26**

OPERATIONS MANUAL AND CONFIDENTIALITY 26
10.1 Confidential Operations Manual *26*
10.2 Confidentiality *27*
10.3 Database *27*
10.4 Return of Confidential Operations Manual *27*
10.5 Replacement of Confidential Operations Manual *27*

ARTICLE XI **28**

OPERATIONAL REQUIREMENTS 28
11.1 Sole Business at Premises *28*
11.2 Hours of Operation *28*
11.3 Business Forms *28*
11.4 Prior Review of Collection Practices *28*
11.5 Compliance with Laws and Ethical Business Practices *28*
11.6 Disclosure *29*

11.7 Inspection by Franchisor *29*
11.8 Other Forms of Agreement *30*

ARTICLE XII **30**

INSURANCE 30

ARTICLE XIII **31**

DEFAULT AND TERMINATION 31
13.1 Termination Without Right to Cure *31*
13.2 Termination With Right to Cure *33*
13.3 Cross-Defaults, Non-Exclusive Remedies, Cross-Defaults, Non-Exclusive Remedies, etc. *33*
13.4 Right of Franchisor to Discontinue Services to Franchisee *34*

ARTICLE XIV **34**

THE FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION 34
14.1 Payment of Amounts Due *34*
14.2 Telephone Numbers and Directory Listings *34*
14.3 Removal of Proprietary Marks *35*
14.4 Termination of Trade Name *35*
14.5 Franchisor's Remedies *35*
14.6 Survival of Certain Terms *35*
14.7 Applicable Law *35*
14.8 Franchisor's Option to Purchase Certain Assets *36*
14.9 Liquidated Damages *36*

ARTICLE XV **37**

NON-COMPETITION 37
15.1 Non-Competition During Agreement *37*
15.2 Non-Competition Following Termination, Expiration or Transfer *37*
15.3 Interference with Employment Relations *37*
15.4 Amendment of Restrictive Covenants *37*
15.5 Other Covenants *37*
15.6 Power of Attorney *38*

ARTICLE XVI **38**

ASSIGNMENT, TRANSFER AND SALE 38
16.1 By Franchisor *38*
16.2 By Franchisee *39*
16.3 Effect of Consent to Transfer *40*
16.4 Assignment to Corporate Entity *40*
16.5 Transfer Among Franchisees *40*
16.6 Franchisor's Right of First Refusal *41*
16.7 Temporary Operation of Business by Franchisor *41*
16.8 Death or Incapacity *42*

ARTICLE XVII **42**

PARTNERSHIP AND CORPORATE FRANCHISEES 42

ARTICLE XVIII **43**

TAXES, PERMITS AND INDEBTEDNESS 43
18.1 Responsibility for Taxes *43*
18.2 Compliance with Laws *43*
18.3 Notice of Litigation *43*

ARTICLE XIX **43**

DISCOUNTS 43

ARTICLE XX **43**

CUSTOMER RELATIONS 43
20.1 Limitation on Services Offered *43*
20.2 Quality of Service *44*
20.3 Employment and Retainer Agreements *44*
20.4 Complaints *44*
20.5 Legal Actions *44*

ARTICLE XXI **44**

RELATIONSHIP AND INDEMNIFICATION 44
21.1 Independent Contractor *44*
21.2 Sole and Exclusive Employer of Franchisee's Employees *45*
21.3 Franchisee Not Authorized *46*
21.4 Non-Liability *46*
21.5 Indemnification by Franchisor *46*
21.6 Indemnification by Franchisee *46*

ARTICLE XXII **47**

DISPUTE RESOLUTION 47
22.1 Arbitration *47*
22.2 Litigation, Waiver of Jury Trial; Limitation of Damages, etc. *48*
22.3 Prior Notice of Claims by Franchisee *48*
22.4 Periods In Which to Make Claims *48*
22.5 Withholding Consent *49*
22.6 Survival and Construction *49*
22.7 Costs and Attorneys' Fees *50*
22.8 Validity and Execution *50*
22.9 Binding Effect *50*
22.10 Construction *50*
22.11 Choice of Laws *50*

ARTICLE XXIII **50**

GENERAL 50
23.1 Joint and Several *50*
23.2 Rights Cumulative *51*
23.3 Entire Agreement and Amendments *51*
23.4 Non-Waiver *51*
23.5 Invalid Provisions; Substitution of Valid Provisions *51*
23.6 Time of Essence *52*
23.7 Gender *52*
23.8 Notice *52*
23.9 Impossibility of Performance *52*
23.10 Further Assurances *53*
23.11 Enforcement *53*
23.12 Franchisee May Not Withhold Payments *53*
23.13 Interest on Late Payments *53*
23.14 Changes and Modifications *54*
23.15 Acknowledgments *54*
23.16 Compliance with Patriot Act *55*
23.17 Step-In Rights *55*

ATTACHMENTS

1 – LOCATION ACCEPTANCE STATEMENT

2 – OPTION FOR ASSIGNMENT OF LEASE
3 – INTERNET ADVERTISING, SOCIALMEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT
4 – STATE SPECIFIC ADDENDUM
5 – FRANCHISEE ACKNOWLEDGMENT STATEMENT
6 – FORM OF SUBLEASE
7 – FORM OF ASSET PURCHASE AGREEMENT
8– CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
9– GUARANTY

CLUB KO FRANCHISE LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into on this ___ day of _____, 20__, between, **CLUB KO FRANCHISE LLC,** a New Jersey limited liability company, having its principal place of business located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 (hereinafter referred to as "Franchisor") and _____, a(n) _____ , with its principal place of business located at_____ and _____ _____'s principals _____, an individual residing at _____ _____ and _____, an individual residing at _____ _____("Principal(s)"). _____ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

WHEREAS, Franchisor has developed a system of uniform standards, methods, procedures, specifications, merchandising and marketing (hereinafter referred to as the "System") for the operation of a CKO Kickboxing franchise (hereinafter referred to as a "Facility") which offers fitness kickboxing classes, including a proprietary ten (10) week program, and other approved services and related products, as are approved from time to time by Franchisor ("Approved Services and Products" or "Approved Services" or "Approved Products", as the case may be) all under the trade name, trademark and service mark of "**CKO Kickboxing**", together with such other proprietary marks as may be hereafter designated as a part of the System and not thereafter withdrawn (collectively, the "Proprietary Marks"); and

WHEREAS, Franchisee wishes to obtain the right and license from Franchisor for the use of Franchisor's System and Proprietary Marks, and in association therewith to own and operate a Facility located at _____ (hereinafter referred to as the "Premises"), and understands and accepts the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Franchisor's high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the System and the Proprietary Marks; and

WHEREAS, Franchisor has the sole and exclusive right to the goodwill associated with the System and the Proprietary Marks and is willing to grant the right and license to Franchisee on the terms and conditions herein contained to use the System and the Proprietary Marks; and

WHEREAS, Franchisee desires to obtain a franchise to use the System and the Proprietary Marks at the location described in Attachment 1, pursuant to the provisions hereof, and Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of his/her own choosing and represents and warrants that he/she has the business experience and financial ability to operate a Facility; and

WHEREAS, Franchisee acknowledges that Franchisee has read this Agreement and Franchisor's Disclosure Document ("Disclosure Document") and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain uniform high standards of quality at all Facilities and to protect the goodwill of the Proprietary Marks; and

WHEREAS, Franchisor expressly disclaims the making of any warranty or guarantee, expressed or implied, oral or written, regarding the potential revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that Franchisee has not received or relied upon any such warranty or guarantee; and

WHEREAS, Franchisee acknowledges that Franchisee has no knowledge of any representations by Franchisor, its officers, directors, shareholders or representatives about the franchise offered hereunder, about Franchisor or its franchising programs and policies that are contrary to the statements in Franchisor's Disclosure Document or to the terms of this Agreement; and

WHEREAS, Franchisee acknowledges that this Agreement places detailed and substantial obligations on Franchisee, including strict adherence to Franchisor's reasonable present and future requirements regarding facilities, equipment, suppliers, operating procedures, management methods, merchandising strategies, sales promotion programs and related matters. Franchisee acknowledges that future improvements, changes and developments in the System may require additional expense to be undertaken by Franchisee.

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH ASSISTANCE OF LEGAL COUNSEL.

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

ARTICLE I
GRANT OF FRANCHISE

1.1 Grant

Subject to the terms, conditions and limitations elsewhere in this Agreement, Franchisor hereby grants to Franchisee a non-transferable right and license to use the System, the Proprietary Marks and to market, sell and provide the Approved Services in accordance with the System. The Approved Services are the only services authorized to be offered and sold by Franchisee from or at the Facility.

1.2 Location

The right and license granted in Section 1.1 hereof shall be restricted solely and exclusively to use on and from the Premises, however, Franchisor (and any affiliates that it might have from time to time) will not establish, nor allow another franchise owner to establish, another Franchised Business, the physical premises of which shall be located within the area of _____ ("Exclusive Territory"). During the term of this Agreement, the Premises shall be used exclusively by Franchisee and solely for the purpose permitted by this Agreement. In the event that, prior to the termination of the franchise hereunder, the lease or sublease should expire or terminate without fault of Franchisee, or if the Premises should be destroyed or otherwise rendered unusable for the purposes hereof, or if the Premises should be expropriated or Franchisee otherwise loses possession thereof without fault on his/her part, Franchisee shall be entitled to relocate the Facility to another premises acceptable to Franchisor, provided that:

(a) Franchisor has first given its written consent to such relocation and new site;

(b) the new premises shall be developed by Franchisee in the same manner as described in Article III hereof solely at Franchisee's costs;

(c) Franchisee pays to Franchisor any costs (including legal fees) incurred by Franchisor with respect to such relocation; and

(d) the new premises shall be located within Franchisee's Exclusive Territory.

1.3 Non-Exclusivity

Except as set forth above, the franchise and licenses granted to Franchisee by this Agreement are non-exclusive and Franchisor shall have, at all times throughout the term of this Agreement and any renewals hereof, and at all places, the unqualified right to open and operate, or to franchise and license others to open and operate, businesses utilizing the System anywhere, except within Franchisee's Exclusive Territory.

1.4 Limitations on Sale of the Approved Services

The license granted herein does not include any right to provide any service at or from any location except from the Premises. Use by Franchisee, directly or indirectly, of the System, the Proprietary Marks licensed hereunder, or the sale of any service at any location other than from the Premises shall be a material breach of this Agreement and shall give Franchisor, in addition to all other rights and remedies hereunder, the right to terminate this Agreement. Franchisee shall not engage in any promotional activities or sell the Approved Services or similar services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of the Exclusive Territory. Franchisee may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within the Exclusive Territory, and Franchisee will not be deemed to be in violation of this Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of the Exclusive Territory. Franchisee may not make any sales or perform services to customers located outside of the Exclusive Territory unless there is not another Facility, either franchised or company-owned, located in close proximity to Franchisee's Facility

1.5 Rights Reserved to Franchisor

Franchisor reserves the right to establish or operate, or license any other franchisee to establish or operate, a Facility under the System at any location outside of the Exclusive Territory. Franchisor (and any affiliates that Franchisor periodically might have) reserves the right:

(a) to establish and operate, and grant rights to other franchise owners to establish and operate, Facility or similar businesses at any locations outside the Exclusive Territory and on any terms and conditions Franchisor deems appropriate;

(b) to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Facility (and/or franchise, license, and/or similar agreements for such businesses), some or all of which might be located anywhere, including within the Exclusive Territory. If there is such a purchase or other acquisition, Franchisor may, in its sole discretion, (i) with respect to those businesses which are in the Exclusive Territory and are not franchised or licensed, (A) offer to sell these businesses to Franchisee or to any third party at their fair market value (with such value being determined by Franchisor in its reasonable discretion) to be operated under the System, or (B) offer Franchisee the opportunity to operate those businesses in partnership with Franchisor (or its affiliate) under their original trade identities or a different trade identity that does not include the Proprietary Marks. Franchisor has the right to choose which of these alternatives Franchisor thinks best; (ii) with respect to those businesses which are franchised or licensed, act as franchisor and/or licensor of those businesses in compliance with the then-effective franchise and/or license agreements;

(c) to be acquired (regardless of the form of transaction) by a business identical or similar to "**CKO Kickboxing**", even if the other business operates, franchises and/or licenses competitive businesses within the Exclusive Territory; and

(d) to engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Exclusive Territory.

ARTICLE II
TERM

2.1 Initial Term

This Agreement, unless terminated earlier as hereinafter provided, shall remain in force for an initial term of ten (10) years commencing on the date of this Agreement ("Initial Term").

2.2 Form and Manner of Successor Term

Subject to the provisions of this Section, Franchisee shall have an option (exercisable only by written notice delivered to Franchisor less than nine (9) months, but more than six (6) months, prior to the end of the Initial Term of this Agreement) to a successor term of the franchise hereunder an additional period of five (5) years, if:

(a) Franchisee has been, throughout the Initial Term of this Agreement, in substantial compliance, and at the expiration of such Initial Term is in full compliance, with this Agreement, the lease and all other agreements between Franchisee and Franchisor or companies associated or affiliated with Franchisor;

(b) Franchisee enters into Franchisor's then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by Franchisor in the granting of Facilities (all of which will contain terms substantially the same as those herein contained, except with respect to fees to be paid to Franchisor, which fees shall be the same as those set out in the franchise agreements being executed at the time of successor term, but which will not obligate Franchisee to pay a further initial franchise fee);

(c) Franchisee is able to maintain possession of the Facility at the Premises (or at relocated Premises pursuant to Section 1.2 hereof) pursuant to a lease reasonably acceptable to Franchisor;

(d) Franchisee refurbishes, upgrades, renovates, redecorates and remodels his/her Facility to meet the then-current standards and image for all new Facilities;

(e) the landlord of the Premises consents to a renewal or extension of Franchisor's or Franchisee's lease (as applicable);

(f) at the time the successor term option is exercised and at the time such successor term commences, all monetary obligations to Franchisor and any affiliate of Franchisor must be current and must have been current at all times during the preceding twelve (12) months;

(g) Franchisee executes a general release running in favor of Franchisor, its affiliates and franchisees and their respective, its officers, directors and shareholders releasing all claims against Franchisor, its officers, directors and shareholders; and

(h) Franchisee shall remit to Franchisor a successor term fee equal to Five Thousand Dollars ($5,000).

2.3 Failure to Renew

For the purposes hereof, Franchisee shall be deemed to have irrevocably elected not to renew the franchise hereunder (and the option to do so shall thereupon terminate) if Franchisee fails to execute and return to Franchisor its then-standard Franchise Agreement and other ancillary documents required by Franchisor for a successor term within thirty (30) days after Franchisor has delivered them to Franchisee at any time during the last twelve (12) months of the Initial Term of this Agreement.

ARTICLE III
PREMISES

3.1 Location of Facility

If a site for the Facility has not been specified at the time of the execution of this Agreement by Franchisor and Franchisee, Franchisee shall use his/her best efforts and proceed with diligence to obtain and designate a location for the Facility within a designated geographic area, which location shall be subject to Franchisor's written acceptance and approval. Franchisor will use its best efforts to assist Franchisee in evaluating a suitable location. Upon Franchisor's acceptance and approval of a location, Franchisor and Franchisee shall execute a Location Acceptance Statement in the form of Attachment "1" hereto, which shall be deemed to be incorporated herein and made a part of this Agreement. Franchisee acknowledges that the location of the Facility is a major factor in the Facility's potential for success, and accordingly Franchisor may reject any proposed location in its sole discretion. Franchisee also acknowledges that the acceptance and approval by Franchisor of any location shall not in any way be deemed to be a guarantee, warranty or any other assurance (express or implied) of the success of Franchisee's business at such location. In the event a mutually agreeable site for the Facility has not been located within six (6) months after execution of this Agreement by Franchisor, Franchisor shall have the right to terminate this Agreement and may, at its option, keep the initial franchise fee paid by Franchisee, in consideration of Franchisor's time, effort and expenses in traveling to and inspecting the proposed locations.

3.2 Lease of Premises of Facility

Franchisee shall not execute any lease for the Facility without Franchisor's prior written approval. If the Facility is to be leased or subleased by Franchisee from an entity or person affiliated in any way with Franchisee, the terms of the lease, including the financial terms, shall be comparable to the fair market terms of similar leases in the appropriate geographic area. Franchisor may reject any lease which does not include terms and conditions reasonably acceptable to Franchisor (and terms and conditions not acceptable to Franchisor may include, without limitation, those which Franchisor does not believe are comparable to fair market terms of similar leases in the appropriate geographic area). Without limiting the foregoing, Franchisor may elect to reject any lease which does not contain the provisions set forth in Attachment "2" attached hereto. In addition, concurrently with the execution of such lease, Franchisee and Lessor shall execute and deliver to Franchisor an "Option for Assignment of Lease" in form and substance as provided for in Attachment "2" attached hereto.

3.3 Development of Facility

Franchisor shall consult with Franchisee regarding the construction of the interior of the Facility or interior leasehold improvements. Franchisor will provide Franchisee with model plans and specifications based upon typical configurations for the layout of a Facility. Franchisee must construct (or renovate) and equip the Facility in a good and workmanlike manner and in conformity with all laws,

rules, regulations and requirements of governmental authorities having jurisdiction over the Facility and in accordance with the plans and specifications of Franchisor or, subject to Franchisor's prior written approval, the plans and specifications of Franchisee. All plans and specifications or modifications to Franchisor's plans and specifications proposed by Franchisee shall be submitted to Franchisor for approval at a reasonable time prior to the commencement of construction and shall be modified as requested by Franchisor. Franchisee will forthwith cause any mechanics' liens, materialmen's liens or other liens which may be recorded or perfected or which may otherwise attach to all or any portion of the Facility as a result of work done by or for Franchisee to be discharged or released of record or be fully bonded.

3.4 Equipment, Furniture, Furnishings and Signs

Franchisee shall install in and about the Facility such equipment, including computer-related equipment and computer software, fixtures, furnishings, furniture, interior and exterior signs, and other personal property as are required and which strictly conform to the appearance, uniform standards, and specifications of Franchisor existing from time to time (hereinafter sometimes referred to collectively as "Equipment and Furnishings"). Franchisor shall furnish Franchisee with lists and specifications of the approved Equipment and Furnishings which are required to outfit and furnish the Facility in accordance with Franchisor's image and standards. Franchisor shall have the right to inspect all Equipment and Furnishings and their installation to assure Franchisee's compliance with Franchisor's standards and specifications. Franchisee shall not install coin operated vending devices of any kind, newspaper racks, telephone booths, games, rides, or other coin operated machines, or permit others to do so.

3.5 Opening for Business

Franchisee shall open the Facility for business as follows:

(a) If the location requires the installation of Improvements (as hereinafter defined), then Franchisee shall open the Facility for business upon completion thereof; provided, however, that Franchisee shall not delay the completion of the Improvements; and provided further, that (subject only to force majeure) Franchisee shall open the Facility for business not later than ninety (90) days after the date Franchisee's location is approved by Franchisor.

(b) If the location does not require the installation of Improvements, then Franchisee shall open the Facility as soon as practicable after receiving possession of the Facility Premises; provided, however, that Franchisee shall not delay taking delivery of possession.

(c) In the event the Facility is not open for business on or before the time provided for above, Franchisor may terminate this Agreement upon thirty (30) days' prior written notice to Franchisee, unless the Facility shall open for business pursuant to the terms of this Agreement within such thirty (30) day period.

(d) For purposes of this Section 3.5, "Improvements" shall mean and include all improvements necessary or required to operate a Facility including, but not limited to, electrical, plumbing, and carpentry work, floor treatment, structural modifications including walls, wall treatments, heating, ventilating, and air conditioning, ceiling, and sheet metal work.

(e) In no event shall the Facility be opened for business until: (i) all Franchisee's obligations under this Section 3.5 have been fulfilled; (ii) Franchisor determines that the Facility has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance with plans and specifications Franchisor has approved; (iii) the initial training program has been completed to Franchisor's satisfaction by all required persons; (iv) the initial franchise fee and all other amounts due to

Franchisor have been paid; (v) Franchisee has furnished Franchisor with all Certificates of Insurance required by Article XII herein; (vi) Franchisee has obtained all required governmental permits, licenses and authorizations necessary for the operation of the Facility; (vii) Franchisee is in full compliance with all the terms of this Agreement; and (viii) all items in Franchisor's opening checklist have been complied with to Franchisor's satisfaction.

ARTICLE IV
FEES AND REPORTING

4.1 Initial Franchise Fee

In consideration of the grant of this license, Franchisee shall pay to Franchisor by cashier's or certified check a non-recurring and non-refundable initial franchise fee for the franchise hereunder in the amount of Thirty-Five Thousand Dollars ($35,000) payable in a lump sum upon execution of this Agreement. The initial franchise fee shall be deemed to have been fully earned by Franchisor upon execution of this Agreement. If Franchisee has executed an Area Development Agreement between Franchisee (as area developer) and Franchisor, the Initial Franchise Fee shall be paid pursuant to the terms of such Area Development Agreement.

In the State of Illinois, Franchisor will defer the payment of the initial franchise fee, development fee and any other initial payment until Franchisee opens its business and it is operating. This deferral has been imposed by the Illinois Attorney General's Office based on the Franchisor's financial condition.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.

4.2 Continuing Service Fee

In further consideration of the grant of this license, Franchisee shall pay to Franchisor monthly (the "Period") on the tenth (10^{th}) day of each month for the prior calendar month during the term of the Agreement a non-refundable continuing service fee ("Continuing Service Fee") equal to seven percent (7%) of gross revenues. All Continuing Service Fees and other fees payable hereunder shall be made via electronic funds transfer or automatic debit of funds, in a method determined by Franchisor, in its sole discretion.

4.2.1 Franchisee shall sign and deliver to Franchisor any documents required to authorize Franchisor to debit Franchisee's business checking account automatically for the Continuing Service Fee and other amounts due under this Agreement. Franchisor will debit Franchisee's account for the Continuing Service Fee on the tenth (10^{th}) day of each month for the prior calendar month. Franchisee agrees to make the funds available for withdrawal by electronic transfer before each due date.

4.3 Marketing Contributions

Recognizing the value of uniform national and regional marketing and promotion of the System, Franchisee, in further consideration of the grant of this license, agrees to pay to Franchisor, without notice

from Franchisor, on the tenth (10^{th}) day of each month for prior calendar month, a non-refundable marketing contribution ("Marketing Fee") to the Fund (as hereinafter defined) equal to one percent (1%) of gross revenues per month, payable at the same time and in the same manner as the Continuing Service Fee provided for in Section 4.2 hereof. However, Franchisor shall maintain the absolute right, in its sole discretion, to increase the Marketing Fee in order to meet the demands of the marketplace, upon thirty (30) days' written notice to Franchisee.

4.4 Definition of Gross Revenue

For purposes of this Agreement, the term "Gross Revenue" includes the total during any month of all sales, monies, revenues, charges and receipts received by Franchisee or any other person which are derived from services sold at the Facility and from all sales and orders made, solicited or received at the Facility, and from all other business whatsoever conducted at or from the Facility or related in any way to the Facility, whether such revenues are evidenced by cash, credit (and regardless of collection in the case of credit), checks, credit cards, gift certificates, scrip, coupons, services, property or other means of exchange, and whether such sales are of vending or coin operated machine items, services, merchandise or products of any nature whatsoever. However, Gross Revenue shall not include (i) sales taxes or other taxes measured on the basis of the Gross Revenue of the business imposed by governmental authorities directly on sales and collected from customers, provided the taxes are added to the selling price and are in fact paid by Franchisee to the appropriate governmental authorities; and (ii) sales for which refunds have been made to customers to the extent that such sales have been previously included in Gross Revenue for which a Continuing Service Fee was paid.

(a) Gross Revenue shall be deemed received by Franchisee at the time any payment is received by Franchisee, whether such payment represents an installment or partial payment or payment in full for any of the products, merchandise or services sold, contracted for or rendered. Gross Revenue consisting of property or services shall be valued at the prices applicable, at the time such Gross Revenue are received, to the products or services exchanged for such Gross Revenue.

(b) Franchisee shall report the monthly Gross Revenue to Franchisor at the time of payment of the Continuing Service Fee and Marketing Fee on such form and in such detail as may be prescribed from time to time by Franchisor, and at the same time Franchisee shall deliver to Franchisor copies of all customer product and service order forms in such form and such detail as Franchisor may from time to time require.

4.5 Late Payments

To encourage prompt and timely payment of the Continuing Service Fees and Marketing Fees and to cover the costs and expenses involved in handling and processing any payments not received by their due dates, Franchisee shall also pay, upon demand, a late payment charge in an amount equal to the lesser of: (i) eighteen percent (18%) per annum; or (ii) the highest rate permitted by law. Such charge shall accrue from the date payment was due until the date payment is actually received by Franchisor. Notwithstanding the foregoing, each failure to pay the Continuing Service Fees, Marketing Fees or other payments payable to Franchisor when due will be a material breach of this Agreement.

4.6 Application of Payments

Franchisor shall have sole discretion to apply any payments received from Franchisee to any past due indebtedness of Franchisee for the Continuing Service Fees, Marketing Fees, purchases made from Franchisor or its affiliates, late payment charges or any other indebtedness of Franchisee to Franchisor or its affiliates.

4.7 Bookkeeping, Accounting and Records

Franchisee shall be required to use such software program(s) designated by Franchisor for guest and member management, bookkeeping, accounting, inventory control, point of sale and record-keeping for the business of the Facility, and Franchisee shall retain all invoices, order forms, time cards, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursements journals and general ledgers. Franchisee shall keep such original documents at the Facility throughout the term of this Agreement, and for at least three (3) years following the expiration or termination of this Agreement, at a location of which Franchisor shall be kept advised, unless Franchisor gives written permission to dispose of such records. All sales shall be recorded at the time of sale in the presence of the customer on Franchisee's point of sale system.

4.8 Reports and Tax Returns

Franchisee shall furnish to Franchisor throughout the term of this Agreement in the form from time to time prescribed by Franchisor:

(a) within ten (10) days after the end of each calendar month, a monthly profit and loss statement for such month, and a profit and loss statement from the beginning of Franchisee's latest financial year, on such forms as Franchisor may specify;

(b) within ninety (90) days after the end of each fiscal year of Franchisee, a compilation balance sheet, statement of profit and loss and source and application of funds from the beginning of that fiscal year, prepared by a certified public accountant and verified by Franchisee's statutory declaration as to the information furnished to such accountant; and

(c) such other statements, order forms, records, calculations and indices as Franchisor may, from time to time, require.

4.9 Audit

Franchisor or its representatives or agents shall have the right during normal business hours, and with forty-eight (48) hours prior notice to Franchisee, to inspect, copy, request, receive and/or audit or cause to be inspected, copied, requested, received and/or audited the business records, bookkeeping and accounting records, sales, financial statements and tax returns that Franchisee is required to submit to Franchisor hereunder along with Franchisee's books and records and those of any corporate entity to which Franchisee has assigned this Agreement. If Franchisor should determine that an audit is necessary during the term hereof or after the expiration or termination of the franchise, Franchisee will, upon notice, deliver to Franchisor all required records and documents to conduct such audit. Franchisee shall fully cooperate with representatives of Franchisor conducting any such audit.

4.10 Information from Others

Franchisee hereby authorizes Franchisor to make reasonable inquiries of Franchisee's bank, credit reporting agencies, suppliers and trade creditors concerning the business of the Facility and hereby directs such persons and companies to provide to Franchisor such information as it may request.

4.11 Inspection

Franchisor or its representatives or agents shall have the right at any time during normal business hours, and without prior notice to Franchisee, to enter and inspect the Premises and all aspects of the operation of the Facility together with all records, books of account, tax returns and other documents and materials in the possession or under the control of Franchisee relating to the business of the Facility,

Franchisee and the subject matter and terms of this Agreement, including, without limitation, all records of Franchisee required to be maintained pursuant to applicable law, to ascertain that Franchisee is operating the Facility in accordance with the System, the terms of this Agreement and the Confidential Operations Manual. Franchisor or its representatives or agents shall be allowed to make extracts from or copies of any such material without any liability to Franchisor, including, but not limited to, payment for such extracts or copies. In the event that Franchisor gives notice to Franchisee of any deficiency detected during such inspection, Franchisee shall diligently correct such deficiency as soon as possible, but in any event within five (5) days after receipt of such notice. If Franchisee fails to correct such deficiency within such five (5) day period, Franchisor shall have the right (but not the obligation) to correct such deficiency on behalf of and at the sole expense of Franchisee, and in such case Franchisee shall reimburse Franchisor for all costs incurred by Franchisor (including, without limitation, a reasonable charge for the time of any personnel of Franchisor) in connection therewith.

ARTICLE V
ADVERTISING AND PROMOTION

5.1 The Fund

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, Franchisee agrees that Franchisor or its designee shall have the right to establish, maintain and administer a creative marketing fund (hereinafter referred to as the "Fund") for such national and regional marketing programs as Franchisor may deem necessary or appropriate, in its sole discretion, as follows:

(a) Franchisor shall direct all national and regional marketing programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. Franchisee understands and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the System and the Proprietary Marks for the benefit of all Facilities operating under the System, and that Franchisor undertakes no obligation in administering the Fund to ensure that expenditures from the Fund are proportionate or equivalent to Franchisee's contributions made for his/her Facility, or that any particular Facility or franchisee benefits directly or pro rata from the placement of any such advertising;

(b) Franchisee agrees that the Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional marketing materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). The Fund shall be accounted for separately from the other funds of Franchisor, and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, not to exceed ten (10%) percent of the amount in the Fund, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and its marketing programs;

(c) a statement of the operations of the Fund shall be prepared annually by Franchisor's accountants and shall be made available to Franchisee on written request. The cost of the statement shall be paid by the Fund. Except as expressly provided in this Section 5.1, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Fund;

(d) Franchisor shall, for each company-owned Facility, make contributions to the Fund as is required to be contributed by Facility franchisees generally within the System; and

(e) Franchisor shall have the right to create a franchise advisory council composed of franchisees and Franchisor representatives, including any of Franchisor's designees. Said council shall have input with respect to expenditures of Fund contributions.

5.2 Local Advertising

In addition to making the Fund contributions required in Section 4.3 hereof, Franchisee shall make every reasonable effort to vigorously and aggressively promote and increase the demand for the services and products of the Facility by conducting, at his/her further expense, the following local advertising during the term of this Agreement:

(a) Franchisee shall obtain and pay for listings for the Facility in the white pages and classified sections (Yellow Pages) of all local telephone directories distributed in the area in which his/her Facility is located, as required by Franchisor, of the kind and size as may from time to time be specified by Franchisor. If other Facilities are served by the same white pages and classified section, Franchisor shall have the right, in its sole discretion, to require group advertisements and listings therein, to make arrangements directly with the telephone company on Franchisee's behalf for his/her participation therein, and to determine the formula for allocating part of the costs thereof to Franchisee, and Franchisee shall pay such on demand;

(b) Franchisee shall participate in such sales and promotional campaigns and activities as Franchisor may direct from time to time; provide such approved promotional material to each customer of the Facility as Franchisor may require; and maintain a sufficient supply thereof for that purpose at all times; and

(c) Franchisee shall display all such signs, emblems and logos at the Premises as Franchisor may require from time to time.

5.3 Additional Local Advertising

Subject to the prior written approval of Franchisor, Franchisee shall, at Franchisee's expense, conduct additional advertising in Franchisee's local area, and Franchisor may, from time to time, offer Franchisee approved local marketing plans and materials including, without limitation, newspaper mats, radio commercial tapes, television commercial prints or tapes, sales aids and other promotional and marketing materials, on the same terms and conditions as Franchisor is then offering to its other Facility franchisees. Prior to their use by Franchisee, samples of all local marketing materials not prepared or previously approved by Franchisor shall be submitted to Franchisor for written approval, which approval shall not be unreasonably withheld. Notwithstanding the generality of the foregoing, Franchisee shall spend a no less than five percent (5%) of gross revenue per month for local advertising in his/her marketing area. Upon request from Franchisor, Franchisee shall provide Franchisor with verification of all expenditures for local advertising within thirty (30) days of such request. Franchisor reserves the right to collect some or all of Franchisee's Local Advertising expenditure and implement Local Advertising on Franchisee's behalf.

5.4 Marketing Cooperatives

In addition to the Marketing Fee and in lieu of the required local advertising expenditures discussed above, if a local marketing cooperative is formed by Franchisor's franchisees and approved by Franchisor, Franchisee shall contribute to said cooperative the amount agreed upon by a majority of the

members of the cooperative, and to pay that amount to the marketing cooperative at the times agreed upon by the majority. If, however, the amount contributed to the cooperative is less than what is required to be spent locally (Section 5.3 above), then Franchisee shall nevertheless be required to spend the difference locally.

5.5 Grand Opening Advertising

Franchisee shall spend between Five Thousand Dollars ($5,000) and Fifteen Thousand Dollars ($15,000) for a grand opening advertising campaign to be incurred in connection with the grand opening of the Facility. This sum of money shall be spent during the first ninety (90) days of operation of the Facility. Franchisor reserves the right to collect some or all of Franchisee's grand opening funds and implement grand opening campaign activities on Franchisee's behalf.

5.6 Website

As used in this Agreement, the term "Website" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

5.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Approved Services and Products, CKO Kickboxing Facilities, the franchising of Facilities, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the Website.

5.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchisee's Facility, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page. If Franchisor creates a web page for Franchisee, the Technology Fee is Fifty-Nine Dollars ($59) per month.

5.6.3 Franchisee shall not establish a separate Website related to the Proprietary Marks or the System without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Article V.

5.6.4 Franchisor shall have the right to modify the provisions of this Section 5.6 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

5.6.5 Franchisee understands and agrees that it is strictly prohibited from promoting the Facility or using any of the Marks in any manner on any Website, including, but not limited to, social and networking Websites such as Facebook, LinkedIn, MySpace and Twitter, without Franchisor's express written consent.

ARTICLE VI
TRAINING AND TECHNICAL ASSISTANCE

6.1 Managerial Responsibility

It is agreed that at all times during the term of this Agreement, either Franchisee or a fully trained Manager, certified by Franchisor (the "Manager(s)"), shall:

(a) devote full time, attention and effort to the active management and operation of the business of the Facility;

(b) irrespective of any delegation of authority not inconsistent with clause (a), reserve and exercise ultimate authority and responsibility with respect to the management and operation of the business of the Facility; and

(c) represent and act on behalf of Franchisee in all dealings with Franchisor.

If two (2) or more individuals are named in this Section, each of them shall fulfill the requirements of clause (a) and both or all of them shall jointly fulfill the requirements of clauses (b) and (c).

6.2 Initial Training Program

At least thirty-five (35) days before the Facility is opened for business, Franchisor shall make available to Franchisee an initial training program which Franchisee or the Manager(s), and one (1) of Franchisee's employees that Franchisor designates, must successfully complete prior to the opening of the Facility. Such training program shall be held at Franchisor's office location or at such other place as may be specified by Franchisor. All costs and expenses incurred by Franchisee and such Manager(s) or employees relating to such training program (including, without limitation, the cost of travel, food, accommodations and wages) shall be paid by Franchisee. Franchisor shall provide only the instruction, training facilities and materials for classroom and on-site instruction of Franchisee and one (1) Manager(s) or employees, not to exceed two (2) persons total. If Franchisor determines that Franchisee or one (1) or more of the Managers cannot or has not completed the training program to Franchisor's satisfaction (after giving Franchisee the opportunity to designate a replacement Manager to attend Franchisor's initial training program at Franchisee's expense), Franchisor may terminate this Agreement pursuant to Section 13.1 hereof and keep the entire initial franchise fee paid by Franchisee, in consideration of Franchisor's time, effort and expense in conducting the initial training. Franchisor may, in its sole discretion, provide additional or refresher training programs at a time and place mutually acceptable to Franchisor and Franchisee. Franchisee must pay to Franchisor its then-current per diem training fee for each of Franchisor's representatives involved in said additional or refresher training, in addition to reimbursing Franchisor for all expenses of said representatives, including travel, lodging and meals.

Notwithstanding the foregoing, Franchisor may also provide refresher training courses for certain of Franchisee's employees. Franchisor may, in its sole discretion, designate any such training courses as mandatory.

6.3 Hiring and Training of Employees by Franchisee

Franchisee shall hire and train, at his/her expense, except as may be set forth in Section 6.2, all employees of the Facility, and shall be exclusively responsible for the terms of their employment and compensation. Franchisee shall not employ anyone who refuses or fails to complete such training

program. Franchisee shall at all times maintain a sufficient number of trained employees to service Franchisee's customers, but at least the minimum number specified by Franchisor.

6.3.1 Franchisor may require Franchisee (or Franchisee's Manager(s)) and/or previously trained and experienced managers to attend training courses that Franchisor periodically chooses to provide at the times and locations Franchisor designates. Franchisor may charge reasonable attendance fees for these courses. Franchisee is also responsible for all travel and living expenses incurred in attending Franchisor's training courses.

6.4 Operating Assistance

Franchisor shall make available to Franchisee such operating assistance and training on a continuing basis as Franchisor considers appropriate and which may consist of advice and guidance with respect to:

(a) methods and procedures for the marketing and sale of the Approved Services;

(b) such additional services and products as Franchisor may approve, from time to time, to be used or offered for sale by franchisees;

(c) the purchase, operation, maintenance and use of displays, uniforms, equipment, materials and supplies;

(d) formulating and implementing advertising and promotional programs using such merchandising, marketing and advertising research data and advice as may, from time to time, be developed by Franchisor and deemed by it to be helpful in the operation of the Facility;

(e) the establishment and implementation of administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operation of the Facility; and

(f) the operation, cleanliness and efficiency of the Facility.

ARTICLE VII
DUTIES OF FRANCHISOR

7.1 Franchisor's Duties

During the term of this Agreement, Franchisor shall, at its expense, offer to Franchisee the following:

(a) an initial training program in System standards, specifications, methods and techniques as provided for in Section 6.2 hereof, as well as offer assistance to Franchisee in the opening of the Facility for a period of up to one (1) week prior to its opening. If this Agreement is for Franchisee's second (2nd) or later Facility, Franchisor reserves the right to not provide such opening assistance;

(b) upon Franchisee's request, such periodic continuing individual or group advice, consultation, and assistance, rendered in person, by weekly correspondence (electronic or otherwise), quarterly field visits, or by periodic telephone or written communications made available from time to time to all franchisees of the System, as Franchisor may deem necessary or appropriate to assist Franchisee in conforming to the requirements of the System. Such continuing advice may include, but

not be limited to, such topics as products and services to be offered to customers, improvements and developments in operating a Facility, pricing, administrative, bookkeeping, accounting and inventory control procedures, and operating problems encountered by Franchisee;

(c) subject to Section 10.1 hereof, to lend to Franchisee one (1) copy of the Confidential Operations Manual and one (1) copy of any other manuals designated for use with the System, as well as such additions and modifications thereto as Franchisor may, in its sole discretion, issue from time to time;

(d) new, modified or supplemented standards for the System that, in Franchisor's sole discretion, are beneficial or necessary to maintain the uniformity and goodwill of the System utilized by all franchisees; and

(e) arrangements for Franchisee to purchase his/her initial supply of Approved Products from Franchisor or from Franchisor's designated supplier.

7.1.1 Franchisor or Franchisor's affiliates or other restricted sources shall sell and Franchisee shall purchase the Approved Products intended for sale exclusively through Facilities and its entire system from Franchisor, its affiliates or other sources approved by Franchisor.

7.2 Products and Services

Upon request and at Franchisee's expense, Franchisor shall offer to Franchisee, during the term of this Agreement, any of the following services and/or products which it is then offering to other franchisees and on the same terms and conditions:

(a) supplies of signs, equipment, accessories, printed business forms, advertising templates and other materials and supplies used in the operation of the Facility;

(b) on-site assistance by a person employed or retained by Franchisor at mutually convenient times; and

(c) periodic supplemental training, as set forth in Section 6.2 hereof.

7.3 System Maintenance

Franchisor shall continue its efforts to maintain uniform standards of quality, cleanliness, appearance and service at all Facility in the System, to promote, protect and enhance the public image and reputation of the System, and to increase the demand for the services offered by all System franchisees, and to that end Franchisor shall:

(a) review all other materials prepared by Franchisee for use in local advertising and promotion pursuant to Section 5.3 hereof; and

(b) conduct periodic inspections of the services and products provided to the public by Franchisee's Facility.

7.4 Meetings

To develop and maintain cooperation and friendship with other franchisees, to enhance the ability to operate the Franchised Business properly, to learn the most recent developments in business methods for the Franchised Business and to take instructions from Franchisor on new or revised procedures or

requirements, Franchisee shall be required to attend any regional meetings organized and conducted by Franchisor for franchisees, to be held at locations to be determined by Franchisor.

(a) Franchisor will pay all costs of organizing and conducting such meetings utilizing monies of the Fund, but Franchisee shall be responsible for his/her own travel expenses, meals and lodging, including those of his/her Manager(s), if any. However, Franchisor shall be under no obligation to organize or hold such meetings until, in Franchisor's sole and absolute discretion, it is advisable to do so.

(b) Franchisee may be excused from attending any regional meetings only for reasonable necessity, after prior notice in writing to Franchisor. However, regardless of any excuses, Franchisee must attend a make-up session to be arranged by Franchisor at a date and location to be selected by Franchisor. The cost of organizing and conducting each such make-up session, including the fees of any guest lecturer, rental of a meeting place and audio-visual materials and equipment, and reasonable compensation for the time of Franchisor personnel required to organize such make-up session, shall be borne in equal shares by all those who attend it. Failure to attend a make-up session after missing a regional meeting shall be deemed good cause for termination of this Agreement.

(c) Franchisee's Manager(s), if any, must attend and complete, at Franchisee's expense, all the meetings and training sessions described in Article VII hereof, in addition to Franchisee and to the same extent as Franchisee.

7.5 Directories

To assist in the efficient operation of the Facility, Franchisor shall provide and Franchisee shall assist Franchisor in the continuous development and maintenance of the following directories for their use solely by the Facility:

(a) Franchisee Directory. To assist Franchisee in maintaining contact with other franchisees, referring customers to them and receiving referrals from them, Franchisor shall publish, from time to time, a directory of the names, addresses and telephone numbers of every franchisee in the System.

(b) Approved Suppliers Directory. Franchisor will compile from time to time and deliver to Franchisee a directory of the names and addresses of authorized sources of materials and supplies for all goods and services which Franchisee may only purchase from Approved Suppliers (as hereinafter defined). Such directory may also include suggested sources of supply for items which must meet Franchisor's specifications. Franchisor may require a listing fee for suggested sources of supply, but will not require any such fee or other payment for listing Approved Suppliers of items which Franchisee cannot purchase except from Approved Suppliers. Such directory may be national or regional, at Franchisor's sole and absolute discretion. Franchisor may sell advertising in such directory for Franchisor's own account.

7.6 Pricing

Subject to applicable law, Franchisor may recommend or set maximum prices for services and products offered by Franchisee, which may vary depending on geographic and other market conditions. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.

ARTICLE VIII
DUTIES OF THE FRANCHISEE

8.1 Obligations of Franchisee

In order to maintain the high quality and uniform standards associated with the System and the Proprietary Marks, and to promote and protect the goodwill associated therewith, Franchisee shall:

(a) at all times comply strictly, and cause the Facility to comply strictly, with all standards, specifications, processes, procedures, requirements and reasonable instructions of Franchisor regarding the operation of the Facility. Franchisee shall adopt as a standard for performance and operation of his/her Facility the standards of Franchisor and conform to all specifications relating to construction, decor, design, equipment, packaging, products, services, uniforms, signs, displays or decorations, and other identifying materials, uniform record keeping practices, days and hours of operation and such other matters as may be in the Confidential Operations Manual, any administrative bulletins, and other confidential manuals or materials developed by Franchisor, or otherwise, as any of same may be modified from time to time by Franchisor. To insure the conformance and compliance by Franchisee with Franchisor's standards of performance, Franchisee will permit Franchisor, its officers, employees and designated representatives to enter his/her Facility at any time and from time to time to conduct an inspection to ascertain whether or not the uniform standards are being met;

(b) at all times keep and maintain the Facility Premises and the Equipment and Furnishings in a neat, clean, orderly and sanitary condition, and the Equipment and Furnishings in good repair and maximum working condition. In connection therewith, Franchisee shall from time to time abide by any reasonable requirement of Franchisor with regard to the remodeling and upgrading of the Facility to comply with standards then applicable to new franchisees. The interior of the Facility shall be renewed or repainted as necessary, but in any event not less frequently than every five (5) years, in accordance with Franchisor's then-current standard color schemes and standards, or within said five (5) year period if reasonably required by Franchisor. If at any time during the Initial Term or any successor term thereof any of the Equipment and Furnishings become obsolete or depreciated, then to the extent that they require replacement in accordance with Franchisor's standards, Franchisee will replace the same with items required by Franchisor's then-current standards and specifications. Franchisee shall not attach or exhibit any signs, displays, or posters on or in the interior of said building other than signs, displays or posters then currently supplied, required, or authorized in writing by Franchisor, nor shall Franchisee permit or suffer others to do so. If any substantial alterations are to be made upon the Facility Premises during the Initial Term or any successor term thereof, then said alterations shall be first approved in writing by Franchisor and plans and specifications therefor agreed to in writing by Franchisor. To maintain a modern, progressive, and uniform operational image, Franchisor, at any time during the Initial Term or any successor term thereof, shall have the right to require Franchisee to perform such remodeling, repairs, replacements and redecoration in and upon the Facility Premises, improvements, and Equipment and Furnishings used by Franchisee which are reasonably necessary and practical to bring such Facility Premises, improvements, and Equipment and Furnishings up to the then-current standards of Franchisor. Franchisee will bear the entire cost of any remodeling, repairs, replacements, redecoration or other maintenance or refurbishing required hereunder. Franchisee acknowledges that possible additional investment may be required pursuant to this Section. If Franchisee fails to make any required remodeling, repairs, replacements, redecoration or other maintenance or refurbishing required hereunder within ten (10) days after receipt of notice from Franchisor of the actions required to be taken, Franchisor may, but is not required to, arrange for the completion of all required actions on Franchisee's behalf and Franchisee shall reimburse Franchisor upon demand for all costs incurred;

(c) operate the Facility in accordance with the standards, specifications, requirements and instructions as may be communicated to Franchisee by Franchisor. Franchisee must comply strictly with all standards, specifications, processes, procedures, requirements and instructions of Franchisor, whether they now exist or are hereafter established from time to time regarding the operation of the Facility. The Facility and everything located therein must be maintained in first-class condition and repair and must be kept clean, neat and sanitary. It must be adequately lighted and must be operated in a clean, wholesome and sanitary manner consistent with Franchisor's requirements. All maintenance, repairs and replacements requested by Franchisor or needed in connection with the Facility must be made promptly. All employees of Franchisee must be clean and neat and must wear the required uniform, if any, at all times;

(d) offer for sale the Approved Services and Products and only the Approved Services and Products, as same exist from time to time. The Approved Services and Products must be offered for sale on a continuous basis at the Facility at the time and in the manner required by Franchisor. No sale of any product or service except the Approved Services and Products may be solicited, accepted or made at or from the Facility. If requested by Franchisor, on at least thirty (30) days' notice, as part of a general program or standardization effort by Franchisor, the marketing of the Approved Services and Products may be modified. In such an event, such modified service becomes the Approved Services and Products.

(i) Franchisee must at all times maintain an inventory of the Approved Products sufficient in quantity and variety to realize the full potential of the Facility.

(ii) Franchisor may, from time to time, conduct market research and testing to determine consumer trends and salability of new products and services. Franchisee must cooperate by participating in Franchisor's market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, Franchisee must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products and services.

(iii) Franchisee may not: (a) sell any product for resale; (b) sell any product or service at or from any place except the Facility; or (c) prepare or deliver any product or service at any place other than the Facility.

(iv) Franchisee shall purchase his/her entire supply of the Approved Products from Franchisor, its affiliates or other restricted sources, in which case Franchisee will be obligated to acquire the Approved Products only from such restricted sources at prices Franchisor decides to charge;

(e) at his/her own expense, promotionally display in and upon the Premises "**CKO Kickboxing**" advertising signs of such nature, form, color, number, location, size and containing such material as Franchisor shall direct or approve in writing. Franchisor or its suppliers shall furnish to Franchisee, without cost or expense to Franchisee, design plans for outside advertising signs. Only signs or advertising media approved by Franchisor shall be displayed by Franchisee in or upon the Facility Premises or elsewhere. All signs must be purchased from suppliers approved by Franchisor. Franchisee shall install and maintain such signs at his/her own expense for the period that such signs remain in Franchisee's possession. Upon termination of this Agreement for whatever reason, the signs shall become the property of Franchisor, and Franchisee shall promptly remove and procure any such signs and deliver them to Franchisor according to its direction;

(f) adhere to Franchisor's minimum quality standards and specifications for all facets of the Facility, including the Equipment and Furnishings, inventory supplies, advertising and sales promotion materials and other products or materials used in the operation of a Facility. Such standards and specifications have been established by Franchisor for uniformity, quality control and to protect, maintain and foster its reputation, goodwill and public acceptance. All such information regarding standards and specifications shall be provided to Franchisee in writing or otherwise through the Confidential Operations Manual. The Confidential Operations Manual is incorporated in this Agreement by reference and Franchisee will comply with all provisions therein. All such standards and specifications may be modified at any time by Franchisor. Franchisor will provide Franchisee with a list of and specifications for the equipment, fixtures, furniture and furnishings which are consistent with the standard Facility. Franchisor will provide Franchisee with a list of recommended fixtures, furniture, Equipment and Furnishings and the Approved Suppliers thereof, which list may be modified by Franchisor from time to time. Franchisor shall also provide Franchisee with lists and specifications of approved promotional materials, supplies, and other inventory items needed in the daily operation of the Facility. Franchisor will afford Franchisee the opportunity to purchase in sufficient quantity, and in a timely manner to meet Franchisee's reasonable needs, such products and supplies as Franchisor or its affiliated company is in the business of selling. Franchisee will also have the opportunity to purchase from Franchisor advertising, promotional and training materials developed by Franchisor.

(i) Franchisor has and will continue to periodically approve suppliers and distributors of the products, materials and supplies used in the operation of a Facility that meet Franchisor's standards and requirements, including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. Franchisee must purchase all products, materials and supplies only from distributors and other suppliers approved by Franchisor from time to time.

(ii) Franchisor may approve a single distributor or other supplier (collectively "Approved Supplier") for any product and may approve a supplier only as to certain products. Franchisor may concentrate purchases with one (1) or more suppliers to obtain lower prices or the best advertising support or services for any group of Facilities. Franchisor may, if it chooses, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and resell said products to Franchisee at a profit. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Franchisor's continued evaluation of the supplier from time to time.

(iii) If Franchisee desires to purchase any items from any unapproved supplier, Franchisee must submit to Franchisor a written request for approval of the proposed supplier and obtain Franchisor's written approval of the supplier prior to purchasing any such items from said supplier. Franchisor may require Franchisee to reimburse Franchisor for its costs and expenses related to Franchisor's review of the potential supplier. Franchisor may inspect the proposed supplier's facilities and require product samples from the proposed supplier to be delivered at Franchisor's option either directly to Franchisor or to any independent entity which Franchisor designates for testing. Franchisor's evaluation and ultimate approval or rejection shall be completed within thirty (30) days of submission. Franchisor reserves the right to periodically re-inspect the facilities and products of any Approved Supplier and to revoke its approval if the supplier does not continue to meet any of Franchisor's criteria. Franchisor shall in no event be obligated to approve any proposed supplier;

(g) comply with all mandatory specifications, standards and operating procedures relating to the appearance, function, cleanliness, sanitation and operation of a Facility. Mandatory

specifications, standards, and operating procedures prescribed from time to time by Franchisor, or otherwise communicated to Franchisee in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement" includes all such mandatory specifications, standards and operating procedures;

(h) secure and maintain in force in his/her name all required licenses, permits and certificates relating to the operation of the Facility. Franchisee must operate the Facility in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to workers' compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All necessary and appropriate measures must be taken to avoid unsatisfactory safety, sanitation or health ratings at all times from government authorities. Conditions or practices disapproved by any such authorities must be corrected promptly except that, after consultation between Franchisee and Franchisor, Franchisee may contest in good faith the action by such authority as being arbitrary, capricious, unfair or unlawful. All advertising employed by Franchisee must be completely factual, in good taste (in Franchisor's judgment), and must conform to the highest standards of ethical advertising. Franchisee must in all dealings with Franchisor, customers, suppliers, and public officials adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee must refrain from any business or advertising practice which may be harmful to the business of Franchisor, the goodwill associated with the Proprietary Marks or other Facility. Franchisee must notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental unit, which may adversely affect the operation or financial condition of Franchisee or the Facility, or of any notice of violation of any law, ordinance or regulation relating to health or safety;

(i) assure that at all times the Facility must be under the direct, on-premises supervision of a manager who has satisfactorily completed Franchisor's training program. Franchisee shall staff the Facility with the number of managers, assistant managers or other key personnel as Franchisor specifies from time to time. Franchisee shall hire all employees of the Facility and be exclusively responsible for the terms of their employment, their compensation, and for the proper training of the employees in the operation of the Facility. Franchisee may not recruit or hire, either directly or indirectly, any employee (or former employee for six (6) months after his or her employment has ended) of a Facility without Franchisor's advance written permission or that of the employer-franchisee. (If Franchisee violates this provision, Franchisee shall pay the hired employee's former employer twice the hired employee's annual salary, plus all costs and attorneys' fees incurred as a result of the violation);

(j) provide that payment for all products and services purchased from Franchisor by Franchisee, if any, shall be due and payable within fifteen (15) days after receipt of an invoice therefor, unless otherwise specified by Franchisor. All other supplies, forms, documents and equipment required for the operation of the Facility and not required to be purchased from Franchisor or its designees may be purchased from Franchisor or from any source or supplier approved or designated in writing by Franchisor or from any other source or supplier, provided that Franchisor shall have first approved in writing such other source or supplier, which approval shall not be unreasonably withheld so long as the standards of the System are met;

(k) maintain at all times such arrangements with (and only with) such credit card issuers or sponsors, and shall implement and at all times operate such point-of-sale systems and credit verification systems as Franchisor may designate from time to time;

(l) assure that his/her Manager(s) and other personnel of the Facility as Franchisor may direct shall attend and participate at such additional or supplemental training courses, seminars and

franchisee meetings as may be specified by Franchisor from time to time. Franchisor shall have the right to charge Franchisee a reasonable fee for such additional or supplemental training courses, seminars or franchisee meetings and Franchisee shall also be responsible to pay all travel, accommodation, meal and other expenses of Franchisee and its Manager(s) and other personnel in respect of attending and completing such courses, seminars or meetings;

(m) issue and honor any type of gift certificate or other types of promotions or marketing campaigns; and

(n) assure that at all times during the term of this Agreement, Franchisee's Facility has an employee or manager on-site who has been certified to administer cardiopulmonary resuscitation (CPR).

8.2 Inventory

Franchisee shall, at all times, maintain on the Premises, under proper conditions, an adequate inventory of the Approved Products, all required components, materials, equipment and supplies, including, without limitation, the marketing, manufacturing, installation and administrative aspects of the Franchised Business.

8.3 Computer Hardware and Software Systems

Since the effective and efficient operation of a Facility is intimately connected with the use and maintenance of appropriate computer hardware and software systems as specified by Franchisor, with direct interconnection to and access by Franchisor's computer hardware and software systems, Franchisee must purchase, use, maintain and update computer and other systems, including software programs which meet Franchisor's specifications, as they evolve over time and which, in some cases, may only be available through Franchisor and/or its affiliates. Franchisee must maintain his/her systems on-line to provide full, twenty-four (24) hour access for computer systems used by Franchisor and Franchisee must promptly update and otherwise change his/her computer hardware and software systems and Franchisor requires from time to time, at Franchisee's expense. Franchisee will pay all amounts charged by any supplier or licensor, which may be Franchisor or an affiliate, of the systems and programs used by Franchisee, including charges for use, maintenance, support and/or update of these systems or programs.

8.4 Mutual Dependence

Franchisee acknowledges that he/she is one of a number of franchisees, each of whose success depends in substantial part on the integrity, reputation and marketing efforts of each other franchisee. Franchisee further acknowledges that the value of the Proprietary Marks and of membership in the Facility to Franchisee, to Franchisor and to each other franchisee depends on the maintenance of uniform standards of quality, integrity and appearance. Franchisee further acknowledges that any action which impairs the reputation and goodwill of the Proprietary Marks, impairs or adversely affects the objectives of Franchisor or brings Franchisor into disrepute, or departs from the uniform practices specified by Franchisor, will be likely to injure all members of the System.

8.5 Uniformity

Franchisee agrees that he/she will at all times adopt and follow all Franchisor's directives concerning the appearance of Franchisee's Facility, the quality and appearance of goods and services offered, the appearance of Franchisee and his/her staff, other business practices and other matters likely to affect the public perception of the System as a unified and reliable network of companies. Franchisee will offer all of, and only, the goods and services which Franchisor authorizes.

8.6 Variances

Complete and detailed uniformity under many varying conditions may not be possible or practicable, and Franchisor therefore reserves the right and privilege, at the sole and absolute discretion of Franchisor and as Franchisor may deem in the best interest of all concerned in any specific instance, to vary standards to accommodate special needs of Franchisee, or those of any other franchisee, based upon the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local custom, or any other condition which Franchisor deems to be of importance to the successful operation of such franchisee's business. Further, Franchisor may from time to time allow certain franchisees to depart from normal System standards and routines in certain respects in order to experiment with or test new products or services, equipment, designs, procedures and the like. In no event shall such variance, or such testing, be deemed a waiver of any of Franchisor's rights, or an excuse from performance of any of Franchisee's duties hereunder. Franchisor may at any time require Franchisee to commence full compliance with all of Franchisor's standards and procedures. Franchisor shall not under any circumstances be required to grant any variance to Franchisee. Nothing contained in this Article is intended to confer on Franchisee any right to compel Franchisor to grant a variance to Franchisee or to grant, withdraw or modify any variance given to any other franchisee. Such matters shall at all times remain within the sole and absolute discretion of Franchisor.

8.7 Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) are in a position to compete unfairly with Franchisee and/or other members of the System, and to cause great injury to the reputation of the System and/or the Proprietary Marks. Franchisee therefore agrees as follows:

(a) Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisee, or allow any former franchisee to copy or otherwise obtain, any confidential business information about the System; any marketing or promotional materials produced by the Fund or by Franchisor or which bear any of the Proprietary Marks; any other materials or publications of Franchisor, including, without limitation, the Confidential Operations Manual; any directory or roster of franchisees or Approved Suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the System or a Facility which is not available to the public.

(b) Franchisee will not refer prospective customers to any former franchisee.

(c) Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.

(d) If Franchisee observes any former franchisee using any of the Proprietary Marks in any way, or utilizing business premises from which the Proprietary Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observation to Franchisor, along with all details available to Franchisee.

(e) Franchisee shall in general have no dealings with a former franchisee which Franchisee, under this Agreement, could not have with a person who has never been a franchisee.

(f) The provisions of Section 8.7 of this Agreement shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:

(i) Franchisee receives a new Franchisee Directory in which such franchise does not appear; or

(ii) Franchisee receives written notice from Franchisor that one or more particular franchise agreements have expired or have been terminated.

8.8 Parties to Litigation

Franchisee will not in any way contribute to the legal costs and fees of any actual or contemplated legal proceeding against Franchisor, the Fund or any other franchisee or any individual member or owner thereof, nor in any other way encourage, support or assist such litigation, except:

(a) to give evidence to the extent required by law, pursuant to a subpoena or court order; or

(b) to carry on litigation to which Franchisee is a proper party.

ARTICLE IX
PROPRIETARY MARKS

9.1 Proprietary Marks

When used in this Agreement, "Proprietary Marks" mean the "**CKO Kickboxing**" trademark and service marks which are used now or in the future to identify the Facility or the Approved Services and to distinguish it from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by Franchisor from time to time for use in connection with the System. Franchisee acknowledges that Franchisor is the owner of the Proprietary Marks, with the authority to license the Proprietary Marks to Franchisee and other franchisees in the System.

9.2 License of Proprietary Marks

Franchisee is licensed to use the Proprietary Marks, goodwill and trade secrets in the operation of the Facility only at the location specified in Attachment 1. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose, except as may be authorized in writing by Franchisor.

9.3 Franchisor Retains Ownership

Franchisee acknowledges that the ownership of all of the Proprietary Marks, goodwill and trade secrets remains solely with Franchisor and the owner of the Proprietary Marks, and that Franchisee shall not register or attempt to register the Proprietary Marks or to assert any rights in them other than as specifically granted in this Agreement.

9.4 Use of Proprietary Marks

Franchisee shall only use the Proprietary Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans designated by Franchisor, and only in the manner and to the extent specifically permitted by this Agreement, the Confidential Operations Manual or in any manuals, directives or memos prepared by Franchisor.

9.5 Approval of Items Using Proprietary Marks

Franchisor reserves the right to approve all signs, memos, stationery, business cards, marketing material, forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity,

point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the words "**CKO Kickboxing**" shall be in accordance with this Agreement and the Confidential Operations Manual, and Franchisee shall obtain Franchisor's approval prior to such use.

9.6 Cessation of Use after Expiration, Termination or Non-Renewal

Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he/she is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute on Franchisee's behalf any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor shall be entitled to obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

9.7 Notification of Infringement

Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee.

9.8 Franchisor to Defend

Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee shall cooperate and execute those documents and perform those acts which in the opinion of Franchisor are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor.

9.9 Franchisee to Use Only Designated Proprietary Marks

In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee shall do business and advertising using only the Proprietary Marks designated by Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the words "**CKO Kickboxing**" by themselves, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection.

9.10 Inspection

In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's Facility, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspection.

9.11 Copyright and Trademark Symbols

Franchisee shall be required to affix the ©, ®, ™ or SM symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "**CKO Kickboxing**" or any other of the Proprietary Marks, whether presently existing or developed in the future.

9.12 No Right to Deny Use of Proprietary Marks

Franchisee acknowledges that he/she does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefor, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks.

9.13 Avoidance of Conflict

If during the term of this Agreement there is a claim of prior use of the "**CKO Kickboxing**" name or any other of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use Franchisor's other Proprietary Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict.

9.14 Indemnification

Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages, costs, reasonable attorneys' fees and expenses for which he/she is held liable in any proceeding in which Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against him/her or in any such proceedings in which he/she is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceedings, has otherwise complied with this Agreement and has tendered complete control of the defense of such to Franchisor. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

9.15 Limited License

Franchisee understands and agrees that the limited license to use the Proprietary Marks granted hereby applies only to such Proprietary Marks as are designed by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that he/she is bound not to represent in any manner that he/she has acquired any ownership or equitable rights in any of the Proprietary Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Proprietary Marks.

If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. Franchisee waives any claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Proprietary Mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or joint in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

9.16 Name Registrations

Before commencing business at the Facility, Franchisee must supply evidence satisfactory to Franchisor that Franchisee has complied with all applicable laws regarding the use of fictitious or assumed names. Franchisee must take such steps as Franchisor approves in writing to register the name "**CKO Kickboxing**" to be able to operate the Facility under such name within Franchisee's Exclusive Territory. Except for registration of a "d/b/a" or assumed name or other fictitious name certificate in connection with the operation of the Facility, Franchisee must not register or attempt to register Franchisor's names or the Proprietary Marks in Franchisee's own name or that of any other entity, nor shall Franchisee make any attempt to register a domain name which includes the Proprietary Marks.

ARTICLE X
OPERATIONS MANUAL AND CONFIDENTIALITY

10.1 Confidential Operations Manual

Franchisor has developed and will lend to Franchisee during the term of this Agreement an operating manual for the Facility (herein referred to as the "Confidential Operations Manual" or "Manual") containing mandatory specifications, standards, methods, techniques and procedures for the operation of the Facility prescribed from time to time by Franchisor for its franchisees, and containing information relative to other obligations of Franchisee hereunder. All such specifications, standards and operating procedures shall be consistent with this Agreement and all applicable laws. Specifications, standards and operating procedures prescribed from time to time by Franchisor in the Confidential Operations Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth herein and shall be kept confidential by Franchisee at all times during the term of this Agreement and after the termination or expiration thereof for any reason. Franchisee shall operate his/her Facility strictly in accordance with the Confidential Operations Manual. Franchisor shall have the right to add to, and otherwise modify, the Confidential Operations Manual from time to time to reflect changes in the Approved Services, the System, or the operation of the Facility; provided, however, no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Franchisee covenants to accept, implement and adopt any such modifications at his/her own cost. Franchisee shall keep the Confidential Operations Manual up to date with replacement pages and insertions as instructed by Franchisor. Franchisee acknowledges that the Confidential Operations Manual contains proprietary information of Franchisor and Franchisee agrees to keep the Confidential Operations Manual and its contents confidential at all times and not to make any copies thereof. The Confidential Operations Manual shall at all times remain the property of Franchisor, and Franchisee shall promptly return the Confidential Operations Manual to Franchisor upon Franchisor's request, and in any event upon the termination or expiration of this Agreement for any reason. In the event a dispute arises as to the contents of the Confidential Operations Manual, the master copy maintained by Franchisor shall be controlling.

10.1 (a) Online Resource Portal

Franchisor has developed an Online Resource Portal which allows Franchisee and his/her designated manager rapid, effective access to the site. The Online Resource Portal houses all important documents, graphics, social media content, marketing content, training videos and materials. The online portal is updated regularly throughout the year, is mobile friendly, and designed to help keep important CKO Kickboxing information close at hand.

10.2 Confidentiality

Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information or know-how concerning the methods of operation of the System hereunder which may be communicated to Franchisee, or of which Franchisee may become apprised, by virtue of the operation of the Facility under this Agreement. Franchisee shall divulge such confidential information only to such of his/her employees who must have access to it in order to operate the Facility. Any and all information, knowledge, and know-how, including, without limitation, the materials, equipment, specifications, techniques, and other data, which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to his/her attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others.

At Franchisor's request, Franchisee shall require any personnel having access to any confidential information provided by Franchisor to execute covenants that they will maintain the confidentiality of information they received in connection with their employment by Franchisee at the Facility. Such covenants shall be on a form provided by Franchisor, and which will include, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

Franchisee acknowledges that any failure to comply with the requirements of this Article X will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor when Franchisor seeks to obtain specific performance of or an injunction against violation of the requirements of this Article X.

10.3 Database

Franchisee acknowledges that the database of customers is proprietary to Franchisor and that Franchisor shall have access to same electronically following notice to Franchisee. Franchisee further acknowledges that upon termination, expiration or non-renewal of this Agreement, such database shall remain the property of Franchisor.

10.4 Return of Confidential Operations Manual

Franchisee shall keep the Confidential Operations Manual in his/her Facility at all times and promptly return all copies to Franchisor upon the expiration or termination of this Agreement, and shall refrain from making any copies thereof or otherwise reproducing it either in whole or in part at any time.

10.5 Replacement of Confidential Operations Manual

In the event Franchisee loses his/her copy of the Confidential Operations Manual or requires an additional copy, Franchisee shall notify Franchisor in writing and shall pay to Franchisor its then-current fee to provide a replacement or additional copy of the Confidential Operations Manual.

ARTICLE XI
OPERATIONAL REQUIREMENTS

11.1 Sole Business at Premises

Franchisee shall not carry on all or part of any business except the Franchised Business at the Premises. Without limiting the generality of the foregoing, Franchisee shall not receive mail or telephone calls or visitors at the Premises for or in connection with any other line of business, without Franchisor's prior approval. However, in the event Franchisee has added the "**CKO Kickboxing**" Franchised Business to his/her existing business premises, Franchisee shall nevertheless be required to maintain dedicated telephone lines for this Franchised Business.

11.2 Hours of Operation

Franchisee shall be open for business to the public during the hours specified by Franchisor in the Confidential Operations Manual or otherwise in writing. Natural disasters, war, strikes or riots preventing Franchisee temporarily from complying with the foregoing shall to that extent suspend Franchisee's obligation to comply therewith.

11.3 Business Forms

Franchisee shall use only those forms, contracts, invoices and statements which have been approved as to form by Franchisor. If Franchisor has made available a form of customer contract, credit disclosure, customer invoice, and/or statement of account for use by Franchisee, Franchisee shall reimburse Franchisor's legal fees and other expenses incurred in connection with reviewing any other form of the same type which Franchisee submits for approval.

11.4 Prior Review of Collection Practices

Franchisee acknowledges that abusive or excessive collection techniques and unnecessary or unfounded litigation against his/her customers is likely to injure the goodwill of the Proprietary Marks and the reputation of the System. Franchisee therefore agrees that he/she will neither (a) assign any account for collection, nor employ any collection agency, without obtaining Franchisor's prior approval of the collection agency; nor (b) commence any legal action or proceeding against any customer or former customer, or allow a collection agency to do so, without first submitting such matter for Franchisor's review for a period of ten (10) days from the time Franchisor receives all documentation pertaining to the account, customer or former customer in question.

11.4.1 If Franchisor believes that such legal action is not well founded in law, or brings disrepute on Franchisor, or is likely to result in disclosure of trade secrets or other confidential business information about Franchisor, and so advises Franchisee in writing prior to the expiration of such ten (10) days referred to herein, Franchisee shall make such modifications to his/her complaint as may be necessary to avoid risks of the kind set forth in Section 11.5 hereof, and shall obtain Franchisor's approval before filing or serving the complaint. Such approval shall not be unreasonably withheld.

11.5 Compliance with Laws and Ethical Business Practices

Franchisee shall secure and maintain in force, in his/her name, all required licenses, permits and certificates relating to the operation of the Facility. Franchisee shall operate his/her Facility in full compliance with all applicable laws, ordinances and regulations, including, without limitation, laws relating to health regulations, workers' compensation insurance, unemployment insurance, and withholding and payment of income taxes, social security taxes and sales taxes. All advertising by Franchisee will be completely factual, in good taste in Franchisor's sole and absolute discretion, and will

conform to high standards of ethical advertising. Franchisee will, in all dealings with his/her customers, suppliers and public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct, in each case above and beyond merely legal requirements. Franchisee will refrain from any business or advertising practice which may be injurious to Franchisor's business and the goodwill associated with the Proprietary Marks and other franchisees. Franchisee will notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which relates to or which may affect the operation or financial condition of Franchisee and/or his/her Facility.

11.5.1 Without limiting the generality of the foregoing, Franchisee shall obtain any appropriate or necessary license if required to do so by the laws of any state in which he/she operates. If Franchisee's license is suspended or revoked, Franchisee's subsequent failure to operate the Facility shall not be deemed an abandonment thereof, provided that within thirty (30) days after the effective date of such suspension or revocation:

(i) Franchisee transfers the business in accordance with Article XVI of this Agreement to one who does have such license; or

(ii) Franchisee takes all appropriate steps to have such suspended or revoked license restored to good standing.

If such lack of a required license continues more than thirty (30) days, Franchisee shall be deemed to have abandoned the Facility. Franchisee shall be in default under this Agreement if Franchisee continues operating the Facility without a license when one is required by applicable law.

11.5.2 In no event shall Franchisee's failure or inability to comply with applicable laws or regulations excuse Franchisee from timely performance of each and every one of his/her obligations under this Agreement.

11.5.3 Franchisee shall conduct a background review of every prospective employee's criminal history and any other histories (such as motor vehicle and/or credit histories) that are required by state and local laws, regulations, and ordinances and/or that Franchisee determines to be necessary and appropriate, prior to hiring. Franchisee shall not hire any prospective employee for any position involving entrance on or into private property if such prospective employee's background review indicates, in Franchisee's sole discretion, a propensity for violence, dishonesty, negligent, reckless, or careless behavior, or a conviction for any crime reasonably related to the prospective employee's employment.

11.6 Disclosure

In order to facilitate compliance with current and future legal obligations and requirements, Franchisor shall maintain the right, in its sole and absolute discretion, to disclose, whether in its Disclosure Documents or otherwise, any information relating to Franchisee's ownership and operation of his/her Facility, including, but not limited to, Franchisee's name, address and/or telephone number, e-mail address, revenues, expenses, results of operation or other information. All such information which comes into Franchisor's possession will be deemed to be Franchisor's property.

11.7 Inspection by Franchisor

Franchisor and its employees and representatives shall have the right to observe and monitor the activities of Franchisee and Franchisee's employees, agents and independent contractors, including the right to enter Franchisee's Premises at all reasonable times during the business day, and without prior

notice to Franchisee, for the purpose of ascertaining if all the provisions of this Agreement and if the operating standards and procedures and other Franchisor directives are being observed by Franchisee. On any such inspection, Franchisor and/or such representatives shall have the right to observe Franchisee's marketing and sales techniques; to monitor Franchisee's use of required design principles and techniques; to inspect Franchisee's Premises, fixtures and equipment; to observe the customer relations services rendered by Franchisee and to inquire of Franchisee's customers about their satisfaction; to observe the conditions of maintenance and repair; to observe and question Franchisee's employees; and otherwise to investigate all aspects of Franchisee's operations.

(a) Franchisee and all those under Franchisee's control shall cooperate fully in such inspection by admitting Franchisor's representatives to Franchisee's Premises, by allowing Franchisor's representatives to accompany Franchisee's representatives to customer meetings, by answering questions, by providing and explaining business records, and by otherwise facilitating in good faith the proper completion of such inspection.

(b) Franchisee shall include in any and all agreements with independent contractors terms and conditions sufficient to ensure cooperation by their respective employees, agents and independent contractors with such inspections by Franchisor.

11.8 Other Forms of Agreement

Franchisee understands, acknowledges and agrees that Franchisor may have offered franchises in the past, may currently be offering franchises and/or may offer franchises in the future on economic and/or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents.

ARTICLE XII
INSURANCE

Prior to opening the Facility for business, Franchisee must obtain the following insurance coverage under policies of insurance issued by carriers approved by Franchisor: (1) comprehensive public liability insurance and comprehensive product liability insurance, including employment practices coverage, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Facility or Franchisee's conduct of business pursuant to this Agreement under one (1) or more policies of insurance containing minimum liability coverage of at least One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) aggregate from time to time; (2) general casualty insurance including fire and extended coverage, vandalism, theft, burglary and malicious mischief insurance for the replacement value of the Facility and its contents, containing minimum coverage of at least Five Hundred Thousand Dollars ($500,000); (3) Workers' Compensation or other employer's liability insurance as well as such other insurance as may be required by statute or rule in the state in which the Facility is located; (4) business interruption and rent insurance for a period adequate to reestablish normal business operations with coverage adequate to coincide with the value of the Facility Premises and its contents; and (5) comprehensive plate glass insurance, if applicable. Franchisee must maintain all required policies in force during the entire term of this Agreement and any renewals thereof. Franchisor may periodically increase or decrease the amounts of coverage required under these 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 law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name Franchisor (and, if Franchisor so requests, the directors, employees or shareholders of Franchisor) as additional insureds and must provide Franchisor with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy.

Before the expiration of the term of each insurance policy, Franchisee must furnish Franchisor with a Certificate of Insurance for each policy to be maintained for the upcoming term, along with evidence of the payment of the premium for each. If Franchisee does not maintain the required insurance coverage, or does not furnish Franchisor with satisfactory evidence of the required insurance coverage and the payment of the premiums for same, Franchisor may obtain, at its option and in addition to its other rights and remedies under this Agreement, any required insurance coverage on Franchisee's behalf. If Franchisor does that, Franchisee agrees to fully cooperate with Franchisor in its effort to obtain the insurance policies, promptly execute all forms or instruments required to obtain or maintain the insurance, allow any inspections of the Facility which are required to obtain or maintain the insurance and pay to Franchisor, on demand, any costs and premiums Franchisor incurs.

Franchisee's obligation to maintain insurance coverage, as described in this Agreement, will not be reduced in any manner by reason of any separate insurance Franchisor maintains on its own behalf, nor will Franchisor's maintenance of that insurance relieve Franchisee of any obligations under this Article XII.

ARTICLE XIII
DEFAULT AND TERMINATION

13.1 Termination Without Right to Cure

Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective upon receipt of notice by Franchisee, addressed as provided in Section 23.8, upon the occurrence of any of the following events:

(a) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Franchisor's Manual or any other trade secrets or confidential information of Franchisor;

(b) Franchisee voluntarily abandons the Facility for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Facility, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

(c) Franchisee, or any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors, shareholders, or members, if Franchisee is a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if Franchisee is dissolved;

(d) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless an appeal bond or other security for the amount of the judgment has been filed); or if execution is levied against Franchisee's business or any of the property used in the operation of the Facility and is not

discharged within five (5) days; or if the real or personal property of Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

(e) Franchisee or any owner of greater than twenty percent (20%) of Franchisee entity or operation is convicted of a felony, a crime involving moral turpitude, or any crime or offence that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Facility, the Proprietary Marks, or the goodwill or reputation thereof;

(f) Franchisee fails to pay any amounts due Franchisor or its affiliates within fifteen (15) days after receiving notice that such fees or amounts are overdue;

(g) Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Proprietary Marks and fails to correct the misuse or failure within ten (10) days after notification from Franchisor;

(h) Franchisee has received three (3) notices of default with respect to Franchisee's obligations hereunder from Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee;

(i) Franchisee sells, transfers or otherwise assigns Franchisee, an interest in the Franchise or Franchisee entity, this Agreement, the Facility or a substantial portion of the assets of the Facility owned by Franchisee without complying with the provisions of Article XVI;

(j) Franchisee fails or refuses to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than five (5) days late on two (2) or more occasions during the term unless due to circumstances beyond the control of Franchisee;

(k) Franchisee sells or offers for sale any unauthorized merchandise, product or service, or fails to purchase his/her entire supply of Approved Services or Products from Franchisor or its designee;

(l) No site has been designated and accepted pursuant to Article III;

(m) Franchisee loses possession or the right of possession of all or a significant part of the Facility through condemnation, casualty, lease termination or mortgage foreclosure and the Facility is not relocated or reopened as provided in Section 1.2 hereof;

(n) Franchisee contests in any court or proceeding the validity of or Franchisor's ownership of or rights to the Proprietary Marks;

(o) Franchisee is a corporation or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such entity without Franchisor's prior written consent;

(p) Franchisee fails to successfully complete Franchisor's training or retraining course(s);

(q) Franchisee receives from Franchisor during the term and any renewal terms four (4) or more notices of default regardless of whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by Franchisee; or

(r) Franchisee fails to comply with all applicable laws and ordinances relating to the Facility, including Anti-Terrorism Laws, or if Franchisee's or any of his/her owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of his/her owners otherwise violate any such law, ordinance, or regulation.

13.2 Termination With Right to Cure

Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon thirty (30) days' written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the thirty (30) day period. Defaults shall include, but not be limited to, the following:

(a) Franchisee fails to maintain the then-current operating procedures and standards established by Franchisor as set forth herein or in the Confidential Operations Manual or otherwise communicated to Franchisee;

(b) Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Proprietary Marks or under a name or mark which is confusingly similar to the Proprietary Marks;

(c) Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(d) Franchisee fails to refuses to comply with the then-current requirements of the Manual;

(e) Franchisee defaults under any term of the lease of the Premises, any other franchise agreement with Franchisor or any other agreement material to the Facility and such default is not cured within the time specified in such lease, other franchise agreement or other agreement; or

(f) Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor and does not correct such failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from Franchisor (which shall describe the action that Franchisee must take) is delivered to Franchisee.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such thirty (30) day period and Franchisee has commenced and is continuing to made good faith efforts to cure the breach during such thirty (30) day period, Franchisee shall be given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days, and this Agreement shall not terminate.

13.3 Cross-Defaults, Non-Exclusive Remedies, Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by Franchisee (or any person/company affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee (or any person/company affiliated with Franchisee) under any other agreement, including, but not limited to, any lease and/or sublease, between Franchisor (or any affiliate of Franchisor) and Franchisee (or any

person/company affiliated with Franchisee), and any default by Franchisee (or any person/company affiliated with Franchisee) under any obligation to Franchisor (or any affiliate of Franchisor) may be regarded as a default under this Agreement. Any default by Franchisee (or any person/company affiliated with Franchisee) under any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, any affiliate of Franchisor and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee).

In each of the foregoing cases, Franchisor (and any affiliate of Franchisor) will have all remedies allowed at law, including termination of Franchisee's rights (and/or those of any person/company affiliated with Franchisee) and Franchisor's (and/or Franchisor's affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

13.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to this Article XIII, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an approved supplier to Franchisee and/or suspension of Franchisee's webpage on Franchisor's Website, until such time as Franchisee corrects the breach.

ARTICLE XIV
THE FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

14.1 Payment of Amounts Due

Franchisee agrees to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, the landlord of the premises (if applicable) and Franchisee's trade and other creditors which are then unpaid. All periodic payments to Franchisor shall be deemed to accrue daily and shall be adjusted accordingly and shall include interest at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is lower.

14.2 Telephone Numbers and Directory Listings

Franchisee agrees that upon termination or expiration of this Agreement, Franchisee shall take such action within five (5) days as may be required to cancel all registrations relating to its use of any of the Proprietary Marks. Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Proprietary Marks and shall authorize the transfer of same to Franchisor or any new franchisee as may be directed by Franchisor. Franchisee acknowledges as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers and directory listings associated with the Proprietary Marks. Franchisee hereby appoints Franchisor as its attorney to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. In addition, Franchisee shall:

(a) Immediately discontinue the use of all Proprietary Marks, signs, structures, forms of advertising, telephone listings and service, the Manual, and all materials and Approved Services or

Products of any kind which are identified or associated with the System and return all these materials to Franchisor;

(b) Make no representation nor state that Franchisee is in any way approved, endorsed or licensed by Franchisor or associated or identified with Franchisor or the Facility in any manner;

(c) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Proprietary Marks so as to delete the Proprietary Marks and all references to anything associated with the System;

(d) Provide Franchisor the option to purchase as set forth in Article XVI; and

(e) Comply with the provisions of Article XV.

14.3 Removal of Proprietary Marks

If, within thirty (30) days after termination of this Agreement by Franchisor, Franchisee fails to remove all displays of the Proprietary Marks from the Facility which are identified or associated with the System, Franchisor may enter the Facility to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.

14.4 Termination of Trade Name

If, within thirty (30) days after termination, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Proprietary Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

14.5 Franchisor's Remedies

Termination of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination.

14.6 Survival of Certain Terms

All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect, notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Article IX, XII, XV and XVI and hereof shall survive termination or expiration of this Agreement.

14.7 Applicable Law

THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW WILL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

14.8 Franchisor's Option to Purchase Certain Assets

Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Facility at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents. Closing on the purchase shall occur not later than sixty (60) days after Franchisor exercises its rights herein, unless otherwise agreed to among the parties.

14.9 Liquidated Damages

Upon termination of this Agreement by Franchisor for any of the reasons specified in Article XIII, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Continuing Service Fees Franchisee paid during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Continuing Service Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Continuing Service Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Continuing Service Fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Continuing Service Fee section. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Continuing Service Fee section.

ARTICLE XV
NON-COMPETITION

15.1 Non-Competition During Agreement

During the term of this Agreement, Franchisee shall not individually or in conjunction with any person, firm, partnership, corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant or guarantor or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in the establishment or operation of any business which consists primarily of the operation of a Facility or facilities which offer group fitness classes, boxing classes, kickboxing classes, and/or any punching bag activities ("Similar Business").

15.2 Non-Competition Following Termination, Expiration or Transfer

In the event of the expiration, non-renewal or termination of this Agreement for any reason whatsoever, or in the event this Agreement is transferred pursuant to Section 16.2, 16.5 or 16.8 hereof, Franchisee (or, in the case of a Transfer among the individuals comprising Franchisee pursuant to Section 16.5, the Transferor individual(s)) shall not, without the prior written consent of Franchisor, at any time during the period of two (2) years from the date of such expiration or termination or transfer, either individually or in conjunction with any person, firm, partnership or corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant, guarantor or in any other manner whatsoever, directly or indirectly, carry on, be engaged in or be concerned with or interested in, financially or otherwise, or advise in the operation of, within a radius in any direction of one hundred (100) miles of the Premises or within a radius in any direction of one hundred (100) miles of any other Facility as of the date of this Agreement, any Similar Business as defined in Section 15.1 above.

15.3 Interference with Employment Relations

During the term of this Agreement and for a period of two (2) years after the termination or expiration of this Agreement for any reason whatsoever, or the transfer of this Agreement pursuant to Section 16.2, 16.5 or 16.8 hereof, Franchisee (or, in the case of a Transfer among the individuals comprising Franchisee pursuant to Section 16.5, the Transferor individual(s)) shall not solicit for employment any person who is, at the time of such solicitation, employed by Franchisor or by any other franchisee of Franchisor, nor shall Franchisee directly or indirectly induce any such person to leave his or her employment.

15.4 Amendment of Restrictive Covenants

Franchisee acknowledges that the provisions of this Article XV have been inserted for the sole benefit of Franchisor and that Franchisor shall have the right, from time to time during the term of this Agreement in its sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article XV or any portion thereof without Franchisee's consent, effective upon Franchisor giving notice thereof to Franchisee.

15.5 Other Covenants

Franchisee covenants that after termination, non-renewal or expiration of this Agreement, regardless of the cause of termination or expiration, Franchisee shall not, without Franchisor's prior written consent, directly or indirectly:

(a) adopt, use, employ or trade under any of the Proprietary Marks, nor adopt, use, employ or trade under any other name, mark or symbol that constitutes a reproduction, counterfeit, copy, imitation or variation thereof, or which is confusingly similar thereto;

(b) adopt, use, employ or trade under any description or representation that falsely suggests or indicates a connection or association with Franchisor;

(c) copy, communicate or otherwise use for the benefit of Franchisee or of any other person any information deemed confidential pursuant to Article X hereof; or

(d) contest or aid others in contesting the validity or enforceability of the Proprietary Marks or the System, contrary to Article IX hereof.

15.6 Power of Attorney

Franchisee hereby irrevocably appoints the Secretary of Franchisor as Franchisee's true and lawful attorney to take any action, execute any document, or do any other act or things required by Articles IX and XIV hereof at Franchisee's sole risk and expense upon Franchisee's failure or refusal to comply fully therewith within ten (10) days after termination, non-renewal or expiration of this Agreement; and Franchisee further consents and agrees that Franchisor or its designated agents shall have the right to enter the Facility at any time, at Franchisee's sole risk and expense and without liability for trespass, tort or other act, to make any alterations thereto required by Section 14.4 hereof upon Franchisee's failure or refusal to do so within ten (10) days after the termination, non-renewal or expiration of this Agreement, and Franchisee hereby covenants and agrees for its successors and assigns to allow, ratify and confirm whatever Franchisor or its representative shall do by virtue of the foregoing power of attorney. Franchisee hereby declares that the powers of attorney herein granted may be exercised during any subsequent legal incapacity on his/her part.

ARTICLE XVI
ASSIGNMENT, TRANSFER AND SALE

16.1 By Franchisor

Franchisor will have the right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity.

Franchisee agrees and affirms that Franchisor may sell itself, its assets, the Proprietary Marks and/or the System to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Club KO Franchise LLC as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities, including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the fitness business or to offer or sell any products or services to Franchisee.

16.2 By Franchisee

Franchisee shall not, in whole or in part, voluntarily or involuntarily, directly or indirectly, pledge, encumber, mortgage, assign, subdivide, subfranchise or otherwise transfer any interest in this Agreement, or any interest in the Facility or the franchise granted hereunder (including, without limitation, by the personal representatives of Franchisee in the event of the death of the non-corporate Franchisee, by will, declaration of, or transfer in, trust or the laws of intestate succession), or any interest in Franchisee or in any proprietorship, partnership or corporate entity which owns any interest in this Agreement or in the Facility or the franchise granted hereunder or in Franchisee, nor offer, permit or suffer the same without the prior written approval of Franchisor. Approval shall be subject to compliance with each of the following conditions either before or concurrently with the effective date of the transfer:

(a) Franchisee being then in full compliance herewith and settling and paying to Franchisor or its affiliates and all trade creditors of the Facility all outstanding debts;

(b) the transferee executing Franchisor's then-current Franchise Agreement and lease of the Facility (which shall have a term equal to the remainder of the term hereof) and such other ancillary agreements, instruments and documents then customarily used by Franchisor to grant Facility franchises;

(c) Franchisee and its officers, directors and shareholders, partners or members, if a corporate entity, executing a general release of Franchisor, its officers, directors and employees releasing all claims against Franchisor, its officers, directors and employees;

(d) the transferee purchasing all of Franchisee's assets used in the business of the Facility in accordance with all applicable bulk sales legislation and assuming all of Franchisee's business liabilities;

(e) the transferee being an individual having adequate financial resources and otherwise meeting all the criteria for franchisees;

(f) the transferee remitting to Franchisor a transfer fee of Ten Thousand Dollars ($10,000) to cover the administration of such transfer and the preparation, execution and filing of all documentation required by Franchisor in connection with such transfer;

(g) Franchisee and transferee entering into a written agreement of purchase and sale, the form and content of which shall be subject to Franchisor's approval;

(h) neither the transferee nor its owners or affiliates operate or have any ownership interest in a Similar Business;

(i) Franchisor determines that the purchase price and payment terms will not adversely affect the transferee's operation of the Facility;

(j) if Franchisee finances any portion of the purchase price, Franchisee and/or its owners agree that all of the transferee's obligations under promissory notes, agreements or security interests reserved in the Facility are subordinate to the transferee's obligation to pay Continuing Service Fees, Marketing Fees and Cooperative contributions, and other amounts due to Franchisor, its affiliates and third party vendors and otherwise to comply with this Agreement;

(k) Franchisee or its transferring owners (and their spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities prescribed in Article XV hereof; and

(l) Franchisee and its transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Facility they own and operate) identify themselves or any business as a current or former Facility or as one of Franchisor's franchisees; use any Proprietary Mark, any colorable imitation of a Proprietary Mark, or other indicia of a Facility 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 with Franchisor.

16.3 Effect of Consent to Transfer

Franchisor's consent to a transfer of this Agreement and the Facility or any interest in Franchisee is not a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the Facility's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or its owners) or of Franchisor's right to demand the transferee's full compliance with this Agreement's terms and conditions.

16.4 Assignment to Corporate Entity

Notwithstanding Section 16.2, after obtaining the written consent of Franchisor, the franchise granted hereunder may, subject to Section 17.1, be assigned by Franchisee without charge, once only, to a newly formed corporate entity which shall conduct no business other than the franchise granted hereunder, which is actively managed by Franchisee and in which Franchisee at all times owns and controls greater than fifty percent (50%) of the equity and voting rights and interests. For purposes of this Agreement, "corporate entity" shall include, but not be limited to, a partnership, corporation or limited liability company, and all references herein to "corporation" shall be deemed to include these other forms of corporate entities. Franchisee and such corporate entity shall execute an Assignment and Guarantee Agreement in Franchisor's standard form.

In the event of such an assignment by Franchisee of the franchise granted hereunder to a corporate entity which Franchisee controls, Franchisee agrees, as a condition of being permitted to make such assignment, forthwith to cause the corporate entity and its directors, officers, managers, members, partners and shareholders to acknowledge this Agreement and to agree in writing to be bound by the provisions hereof, cause the corporate entity in its articles of organization to provide in effect that its object or business is confined exclusively to the operation of a Facility as provided in this Agreement, and cause the corporate entity to restrict the issue of, and its directors, shareholders, partners or members to restrict the transfer of, equity interests in the corporate entity so that Franchisee shall continuously own greater than fifty percent (50%) of the equity and voting rights and interests in such corporate entity.

16.5 Transfer Among Franchisees

In the event that Franchisee comprises two (2) or more individuals, Franchisor shall not unreasonably withhold its consent to a sale, assignment or transfer of any kind (a "Transfer") of the interest of one (1) such individual (the "Transferor") in the franchise hereunder to the other individual or individuals comprising Franchisee, if but only if:

(a) the Transferor transfers the whole of such interest in this Agreement and the lease and all other agreements relating to the franchise hereunder;

(b) the Transfer shall not relieve the Transferor of the Transferor's obligations hereunder to Franchisor;

(c) the Transfer shall be completed in accordance with all applicable bulk sales legislation;

(d) the Transferor shall have given Franchisor at least thirty (30) days' prior written notice of the proposed Transfer, together with all reasonable details thereof which Franchisor may demand;

(e) the Transferor and the remaining individual(s) with an interest in Franchisee execute such documents as may be required by Franchisor in connection with such Transfer; and

(f) the remaining individual(s) with an interest in Franchisee is (are), in the opinion of Franchisor, capable of operating the business associated with the Facility without the Transferor.

16.6 Franchisor's Right of First Refusal

If Franchisee shall at any time decide to sell the Facility or the ownership interest therein, Franchisee shall obtain a bona fide, executed written offer to purchase the Facility, together with all real or personal property, leasehold improvements and other assets used by Franchisee in connection with the Facility, from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor. Franchisor shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, but not the obligation, exercisable by written notice to Franchisee, to purchase all of the Facility and the said assets of Franchisee for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and there shall be deducted from the purchase price the amount of any commission or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with such sale. During said thirty (30) day period, Franchisor shall have the right to inspect all of Franchisee's books and records relating to the Facility's operation, specifically including all financial records and statements for the three (3) full fiscal years preceding the date on which the thirty (30) day right of first refusal commences, and if Franchisee is a corporate entity, all corporate minute books, partnership or operating agreements, and transfer records. If Franchisor does not exercise its right of first refusal, Franchisee may complete the sale of the Facility to such purchaser on the same terms offered to Franchisor subject to the provisions of Section 16.2 hereof. If the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

16.7 Temporary Operation of Business by Franchisor

For the purposes of this Section 16.7, "Franchisee" shall include the controlling shareholder of a corporate Franchisee. In the event that Franchisee:

(a) fails to keep the Facility open for business during the hours required by Franchisor (whether pursuant to the Confidential Operations Manual or otherwise);

(b) is absent from the Facility for more than fifteen (15) consecutive days or for more than thirty (30) days in any consecutive ninety (90) day period, or abandons the Premises; or

(c) dies or becomes incapacitated and Franchisee's heirs or personal representatives have not yet, or do not, assume control of the business of the Facility by means of an assignment (with Franchisor's approval) pursuant to Sections 16.2 and 16.8 hereof, then, unless and until Franchisor terminates this Agreement pursuant to Article XIII or Section 16.8 hereof, Franchisor shall be entitled to

enter onto the Premises and to operate and manage the business associated with the Facility for Franchisee's (or Franchisee's estate) account until the franchise hereunder is terminated, assigned to a party acceptable to Franchisor or until Franchisee resumes control over the business associated with the Facility and operates it in accordance herewith; provided, however, that no such operation and management by Franchisor shall continue for more than ninety (90) days without the written consent of Franchisee or Franchisee's personal representatives or the representatives of Franchisee's estate. In the event that Franchisor so operates the business associated with the Facility, it shall account to Franchisee (or Franchisee's estate) for all net income from such operation, less its reasonable expenses incurred in, and a reasonable management fee, not to exceed five (5%) percent, for its operation of the Facility.

16.8 Death or Incapacity

For the purposes of this Section 16.8, "Franchisee" shall include the controlling shareholder of a corporate Franchisee. If Franchisee dies or becomes incapacitated (which shall be deemed to include, in the reasonable opinion of Franchisor, the inability of Franchisee, by reason of physical or mental illness or disability, to operate the business of the Facility in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period) so that he/she (or, in the case of his/her incapacity only, the Manager(s)) is not able to devote full time and attention to the operation of the business of the Facility, then the rights granted hereunder may be transferred to the heirs or personal representatives of Franchisee, if Franchisor's prior written consent is obtained, within twelve (12) months from the beginning of the disability or from the date of death. In no event will Franchisor be willing to provide its consent to such transfer unless the conditions set forth in Section 16.2 hereof (save and except the requirement to pay Franchisor's then-current transfer fee) are satisfied. In the event that such conditions (save and except the requirement to pay Franchisor's then-current transfer fee) are not satisfied, Franchisor shall have the right in its sole discretion to terminate this Agreement by notice, in the case of death, to the estate of Franchisee and, in the case of incapacity of Franchisee, to Franchisee.

ARTICLE XVII
PARTNERSHIP AND CORPORATE FRANCHISEES

If Franchisee or any successor thereof is a corporate entity, or if the franchise granted hereunder is assigned to a corporate entity pursuant to Article XVI hereof:

(a) upon the execution of this Agreement (or, in the case of an assignment, upon such assignment) and subject to the provisions of Article XVI hereof, upon each transfer of an interest in this Agreement or in Franchisee, all holders of an interest in Franchisee shall execute a written agreement with Franchisor in the form required by Franchisor individually undertaking to be bound, jointly and severally, by all of the terms of this Agreement;

(b) the articles of partnership, partnership agreement, articles of incorporation, by-laws, articles of organization, operating agreement and other organization documents shall recite that the issuance and transfer of any interest therein is restricted by the terms of Article XVI of this Agreement and copies thereof shall be furnished to Franchisor at Franchisor's request. Franchisee shall also submit to Franchisor, at any time upon request, a list of all directors, officers and partners or beneficial shareholders reflecting their respective interests in Franchisee and other information regarding Franchisee, in such form as Franchisor may require; and

(c) Franchisee, if it is a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of Article XVI hereof and shall issue no such securities, nor permit any issued securities to remain outstanding, upon the face of which the following printed legend does not legibly and conspicuously appear:

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Club KO Franchise LLC."

or

"The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Club KO Franchise LLC."

ARTICLE XVIII
TAXES, PERMITS AND INDEBTEDNESS

18.1 Responsibility for Taxes

Franchisee shall be solely responsible for all expenses of the business franchised by this Agreement and shall promptly pay when due all taxes levied or assessed and all indebtedness to Franchisor or to others incurred by Franchisee in connection with the conduct of such business.

18.2 Compliance with Laws

Franchisee shall comply with all federal, provincial and local by-laws, rules and regulations, and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, licenses to do business, name registrations and sales tax permits.

18.3 Notice of Litigation

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other government instrumentality which may adversely affect the operation or financial condition of the business associated with the Facility.

ARTICLE XIX
DISCOUNTS

In the event that any volume discounts, rebates, allowances, or other similar discounts are received by Franchisor from any manufacturer or other supplier designated by Franchisor on account of purchases made by Franchisor for its account or for the account of Franchisee, or by Franchisee directly for his/her own account, Franchisor shall have the option of remitting same to the Fund or retain the full amount of the said volume discounts, rebates, allowances, or other similar discounts.

ARTICLE XX
CUSTOMER RELATIONS

20.1 Limitation on Services Offered

Franchisee shall not offer any services of any kind at the Premises or in any other way associated or connected with the Proprietary Marks, except those services authorized by this Agreement, the

Confidential Operations Manual and any other written consent which Franchisor may from time to time authorize.

20.2 Quality of Service

In order to protect the reputation of Franchisor and the Franchised Business and increase consumer confidence in the Proprietary Marks and the System, Franchisee agrees to offer only the Approved Services and Products and any other approved products and services to its customers in compliance with all applicable laws and regulations.

20.3 Employment and Retainer Agreements

Franchisee shall cause each agreement for employing or retaining either employees or independent contractors to contain provisions which require all employees and/or independent contractors to comply with all the foregoing provisions of Article XX hereof. Franchisee shall in any event be responsible for full compliance by his/her employees and independent contractors and their own employees and independent contractors with the provisions of Article XX hereof.

20.4 Complaints

Franchisee shall respond promptly and in good faith to any complaints raised by his/her customers. Franchisee shall rectify any complaints promptly and courteously. No later than the first day of the week following Franchisee's receipt of any customer complaint, Franchisee shall provide to Franchisor a complaints report listing the name, addresses, and telephone numbers of any customers who have made a complaint, a brief description of the complaint.

20.5 Legal Actions

Franchisee shall notify Franchisor promptly, in writing, of any civil action or any administrative proceeding or criminal prosecution commenced against Franchisee in any way arising out of or in connection with the operation of the Facility.

ARTICLE XXI
RELATIONSHIP AND INDEMNIFICATION

21.1 Independent Contractor

Franchisee understands and agrees that Franchisee is and will be Franchisor's independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be Franchisor's employees. Neither Franchisee nor any of Franchisee's employees whose compensation Franchisee pay may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify certain of Franchisee's employees for qualification to perform certain functions for Franchisee's CKO Kickboxing franchise does not directly or indirectly vest in Franchisor the power to hire, fire or control any such employee.

Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of Franchisee's CKO Kickboxing franchise and that under no circumstance shall Franchisor do so or be deemed to do so.

Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in Franchisor's Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of Franchisee's CKO Kickboxing franchise, which Franchisee alone controls, but only constitutes standards Franchisee must adhere to when exercising Franchisee's control of the day-to-day operations of Franchisee's CKO Kickboxing franchise.

Franchisee may not, without Franchisor's prior written approval, have any power to obligate Franchisor for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, Franchisor may not control or have access to Franchisee's funds or the expenditure of Franchisee's funds or in any other way exercise dominion or control over Franchisee's CKO Kickboxing franchise. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Franchisor and Franchisee is other than that of franchisor and franchisee. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee's operation of the CKO Kickboxing franchise.

21.2 Sole and Exclusive Employer of Franchisee's Employees

Franchisee hereby irrevocably affirms, attests and covenants Franchisee's understanding that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employee employed, jointly employed or co-employed by Franchisor. Franchisee further affirms and attests that each of Franchisee's employees is under the exclusive dominion and control of Franchisee and never under the direct or indirect control of Franchisor in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and, pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/ /unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, which has no such authority or ability. Franchisee further attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that Franchisee's CKO Kickboxing franchise is at all times staffed at those levels necessary to operate Franchisee's CKO Kickboxing franchise in conformity with the System and the products, services, standards of quality and efficiency, and other CKO Kickboxing brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee affirms, warrants and understands that Franchisee may staff Franchisee's CKO Kickboxing franchise with as many employees as Franchisee desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate Franchisee's CKO Kickboxing franchise, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee affirms and attests that any training provided by Franchisor for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems and operations of a CKO Kickboxing franchise and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, including (if necessary) appearing at any venue requested by Franchisor to testify on

Franchisor's behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested by Franchisor, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee's appearing at any such venue.

21.3 Franchisee Not Authorized

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom. Franchisee shall not establish any bank account, make any purchase, apply for a loan or credit, or incur or permit any obligation to be incurred in the name or on the credit of Franchisor.

21.4 Non-Liability

Franchisor shall not be obligated or liable for any injury or death to any person, or damage to or loss of any property caused by Franchisee's action, failure to act, negligence, breach of this Agreement or willful misconduct, nor for any liability of Franchisee.

21.5 Indemnification by Franchisor

Franchisor shall, during the term of this Agreement only, indemnify Franchisee and hold him or her harmless from and against all damages, losses, claims, expenses and costs (including his/her attorney and customer costs, travel, investigation and living expenses and witness fees) for which he/she is held liable or which he/she incurs in the defense of any litigation commenced against him/her as a direct result of his/her proper use of the Proprietary Marks in accordance herewith, provided that he/she has timely notified Franchisor of such litigation or threatened litigation. Franchisor shall have the right to participate in and to control such litigation or proceeding (including the right to compromise or settle such litigation or proceeding) to the extent that Franchisor deems necessary or advisable, and Franchisee shall fully cooperate with Franchisor and execute such documents and do such acts and things as, in the opinion of Franchisor, may be necessary.

21.6 Indemnification by Franchisee

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement and in addition to his/her obligations contained in Article XIV hereof, indemnify Franchisor and its affiliates and its and their respective officers, directors and employees, and hold them harmless from and against all damages, losses, claims, actions, liability, expenses and costs for which they are held liable or which they incur (including solicitor and legal fees, customer costs, travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

(a) a breach of this Agreement, or any other lease, agreement or contract to which Franchisor and Franchisee are parties, by Franchisee;

(b) any injury to, or loss of property of, any person in or on the Premises or on any job site;

(c) Franchisee's taxes, liabilities, costs or expenses of his/her business;

(d) losses, claims or damages incurred by persons, other than Franchisee, due to errors or omissions contained in financial statements prepared by Franchisor pursuant to Section 4.8 hereof, even if caused by the negligence of Franchisor, its employees, agents, contractors, or others for whom it is, in law, responsible;

(e) any negligent or willful act or omission of Franchisee, his/her employees, agents, servants, contractors or others for whom he/she is, in law, responsible; and

(f) any marketing or promotional material distributed, broadcast or in any way disseminated by Franchisee or on his/her behalf, unless such material has been produced or approved in writing by Franchisor.

ARTICLE XXII
DISPUTE RESOLUTION

22.1 Arbitration

Except as otherwise provided in this section, any controversy or dispute arising out of or relating to the franchise or this Agreement including, but not limited to, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee concerning the entry into, performance under or termination of this Agreement or any other agreement entered into by Franchisor, or its subsidiaries or affiliates, and Franchisee, any claim against a past or present employee, officer, director or agent of Franchisor, any claim of breach of this Agreement, and any claims arising under state or Federal laws shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Persons in privity with or claiming through, on behalf of or in the right of Franchisee include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in Hudson County, New Jersey. However, arbitration will not be used for any dispute which involves Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against Franchisee or any issues related to disclosure or misuse of confidential information, all of which issues will be submitted to a court within the State of New Jersey. The parties expressly consent to personal jurisdiction in the State of New Jersey and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

22.1.1 Each party will select one (1) arbitrator and the two (2) so chosen will select a third, and failing selection of an arbitrator by either party or by the two chosen by the parties, the arbitrator(s) shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrators shall be divided equally between the parties. The arbitrators shall have no authority to amend or modify the terms of this Agreement. The prevailing party shall be entitled to actual costs and attorneys' fees incurred in any such arbitration. The award or decision by a majority of the arbitrators shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

22.1.2 Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

22.1.3 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees or licenses.

22.2 Litigation, Waiver of Jury Trial; Limitation of Damages, etc.

Without in any way limiting or otherwise affecting the parties' obligations regarding arbitration, the parties agree that any litigation between Franchisee and Franchisor (and/or involving any principal of Franchisee or which could be brought by Franchisee or on his/her behalf and including matters involving any of Franchisor-related entities or otherwise), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise between or involving Franchisee and Franchisor which is not subject to the foregoing agreement regarding arbitration (or in the event that a court having jurisdiction should hold that the foregoing agreement regarding arbitration is not enforceable) or otherwise, will be held exclusively before a court in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction or (if a basis for Federal jurisdiction is present) the United States District Court for Hudson County, New Jersey, the parties consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY.

22.2.1 So as to achieve many of the advantages which would normally be associated with arbitration (such as lower expense, more rapid resolution of controversies, fewer protracted and complex proceedings, reduced instances of costly and time-consuming appeal, use of a more sophisticated and experienced trier of fact and law, etc.) and for the parties' mutual benefit, THE PARTIES AGREE THAT IN ANY LITIGATION BETWEEN FRANCHISOR AND FRANCHISEE (AND/OR ANY PRINCIPAL OF FRANCHISEE OR WHICH COULD BE BROUGHT BY FRANCHISEE OR ON FRANCHISEE'S BEHALF) THE PARTIES KNOWINGLY WAIVE ALL RIGHTS TO TRIAL BY JURY. IN ANY ARBITRATION, LITIGATION OR OTHERWISE, THE PARTIES WAIVE ALL RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE, PAIN-AND-SUFFERING, MENTAL DISTRESS OR SIMILAR DAMAGES AND AGREE THAT THE PARTIES MAY ONLY RECOVER ACTUAL FINANCIAL LOSSES.

22.3 Prior Notice of Claims by Franchisee

Prior to Franchisee taking any legal or other action against Franchisor, whether for arbitration, damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise, based on any alleged act or omission of Franchisor, Franchisee will first give Franchisor sixty (60) days' prior written notice and opportunity to cure such alleged act or omission.

22.4 Periods In Which to Make Claims

22.4.1 The parties agree that, except as provided below, no arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense

or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

22.4.2 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

22.4.3 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

22.4.4 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (2) indemnification by Franchisee; (3) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (4) Franchisee's unauthorized use of the Proprietary Marks.

22.5 Withholding Consent

In no event will Franchisee make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by Franchisor. Franchisee's sole remedy for any such claim is to submit it to arbitration as described in this Agreement and for the arbitrator to order Franchisor to grant such consent.

22.6 Survival and Construction

Each provision of this Article XXII, together with the provisions of Article XXIII, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

22.7 Costs and Attorneys' Fees

Except as expressly provided otherwise in this Agreement with respect to appeal of an arbitration award, each party will each bear their respective costs of enforcement and/or defense (including but not limited to attorneys' fees) in any claim or dispute between the parties (including Franchisee's and/or Franchisor's affiliates, related persons/entities, etc.) and will make no claim against the other with regard thereto.

22.8 Validity and Execution

This Agreement will become valid when executed and accepted by Franchisor at its headquarters.

22.9 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both parties.

22.10 Construction

Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly provides otherwise, Franchisor has the right to condition, withhold and/or refuse, in its sole and absolute discretion, any request by Franchisee and Franchisor's approval of, or consent to, any action or omission by Franchisee. The headings of the several articles and sections hereof are for convenience only and do not define, limit, or construe the contents of such articles or sections. The term "attorneys' fees" will include, without limitation, legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. References to a "controlling interest" in Franchisee will mean more than fifty percent (50%) of the voting control of Franchisee, if Franchisee is a corporation or limited liability company, and any general partnership interest, if Franchisee is a partnership. The term "Franchisee" as used herein is applicable to one (1) or more persons or a corporate entity, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. This Agreement will be executed in multiple copies, each of which will be deemed an original. Each of the provisions of this Article XXII shall apply to any claim brought (or which could be brought) by any principal of Franchisee or by or on Franchisee's behalf.

22.11 Choice of Laws

Except as provided elsewhere in this Agreement (for example, with regard to the applicability of the Federal Arbitration Act, 9 U.S.C. §1 et seq. and the effect of federal preemption of state law by such Act) and except to the extent governed by the United States Trademark Act and other federal laws, the parties agree that this Agreement (including any claims, counter-claims or otherwise by Franchisee) and all other matters concerning the parties will be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey.

ARTICLE XXIII
GENERAL

23.1 Joint and Several

If two (2) or more parties shall sign or be subject to the terms and conditions of this Agreement as Franchisee, the liability of each such party to make the payments to be made and to perform all other

obligations to be performed under or pursuant to this Agreement shall be deemed to be joint and several. A breach hereof of one (1) such party or Franchisee shall be deemed to be a breach of both or all.

23.2 Rights Cumulative

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall such right or remedy be deemed to be, exclusive of any other right or remedy herein or by law or equity provided or permitted and each shall be cumulative of every other right or remedy.

23.3 Entire Agreement and Amendments

This Agreement, the Attachments hereto and any documents incorporated by reference herein, contain the entire understanding and agreement of the parties hereto concerning the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions with respect to the subject matter hereof, whether oral or written; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee. Except as provided herein, Franchisee acknowledges and agrees that there are no warranties, representations, statements, promises or inducements, express or implied, or collateral, whether oral or written, about this Agreement by Franchisor or its officers, directors, shareholders, employees or agents that are contrary to the terms of this Agreement or the documents referred to herein. No amendment or other modification to this Agreement shall be valid or binding upon the parties unless the same is in writing.

23.4 Non-Waiver

No waiver by Franchisor of any breach, failure or default in performance by Franchisee and no failure, refusal or neglect of Franchisor to exercise any right hereunder or to insist upon strict compliance with or performance by Franchisee's obligations hereunder shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach, failure or default and shall not constitute a waiver by Franchisor of its rights at any time or thereafter to require strict compliance with the provisions hereof.

23.5 Invalid Provisions; Substitution of Valid Provisions

As stated earlier in this Agreement in Article XV, if any provision of this Agreement relating to the payment of fees to Franchisor, to non-competition during the term of this Agreement, or to the preservation of any of the Proprietary Marks or confidential information disclosed pursuant to this Agreement is declared invalid or unenforceable, and if, as a result, Franchisor believes in its sole opinion that the continuation of this Agreement would not be in the best interests of the System, Franchisor has the right to terminate this Agreement on written notice to Franchisee. If any state or federal law requires renewal of this Agreement, Franchisee agrees to enter into Franchisor's then-current form of franchise agreement. To the extent that any restrictive covenant contained in this Agreement is deemed unenforceable because of its scope in terms of area, business activity prohibited, or length of time, Franchisee agrees that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which Franchisor is seeking to enforce it.

If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, standard or operating procedures prescribed by Franchisor invalid or unenforceable, the advance notice and/or other action required or revision of the specification, standard or

operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provision enforceable to the greatest extent possible. Franchisee agrees to be bound by the modification to the greatest extent lawfully permitted.

23.6 Time of Essence

Time shall be of the essence in this Agreement.

23.7 Gender

Whenever a personal pronoun is used herein, it is understood that such usage shall include both singular and plural, masculine, feminine and neuter, and refer in appropriate cases to corporations or other legal entities as well as to individuals.

23.8 Notice

All notices, consents, approvals, statements, authorizations, documents, or other communications required or permitted to be given hereunder shall be in writing, and may be delivered personally or mailed by registered mail, postage prepaid, or transmitted by telex or other form of electronic communication tested prior to transmission to the said parties at their respective addresses set forth hereunder, namely:

To Franchisor at: Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, New Jersey 07030

To Franchisee at: _____
_____
_____

or at any such other address or addresses as the party to whom such notice, consent, approval, statement, authorization, documentation or other communication is to be given may designate by notice in writing so given to the other parties hereto as provided hereinbefore. Any notices, consents, approvals, statements, authorizations, documents or other communications, if mailed, shall be deemed to have been given on the fifth (5th) business day (except Saturdays and Sundays) following such mailing, or, if delivered personally or transmitted by telex or other form of electronic communication, shall be deemed to have been given on the day of delivery or transmission (as the case may be), if a business day, or if not a business day, on the business day next following the day of delivery or transmission (as the case may be).

23.9 Impossibility of Performance

Notwithstanding anything to the contrary contained in this Agreement, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes, labor troubles, inability to procure materials or services, power failure, restrictive governmental laws or regulations, riots, insurrection, sabotage, terrorism, acts of God or other reasons beyond the control of such party, whether all of a like nature or not, which is not the fault of the party delayed in performing work or doing acts required under the terms of this Agreement, then the performance of such term, covenant or act is excused for the period of the delay and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. However, the provisions of this Section shall not in any way operate to excuse Franchisee from the prompt payment of any fees, continuing service fees or other sums required to be paid to Franchisor or its affiliates by the terms of this Agreement, or from the prompt

performance of any of his/her other obligations hereunder where such prompt performance is delayed, hindered or prevented by reason of lack of funds.

23.10 Further Assurances

Each of the parties covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof. Franchisee shall, within the time and from time to time forthwith upon Franchisor's request, provide Franchisor with a statutory declaration confirming any matter provided for in this Agreement. Franchisee shall, at any time and from time to time forthwith upon Franchisor's request, provide Franchisor with access to the corporate records of Franchisee to confirm Franchisee's compliance with the terms of this Agreement.

23.11 Enforcement

Franchisee acknowledges that his/her failure to comply herewith could cause Franchisor irreparable harm which may not be compensable by way of damages, and, therefore, Franchisor shall be entitled to apply to a court of competent jurisdiction to have itself appointed as the receiver of Franchisee's business and to obtain (without bond) declarations, temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, relating to the obligations of Franchisee upon termination or expiration of this Agreement, and relating to assignment of the franchise hereunder and ownership interests in Franchisee, and to prohibit any act or omission by Franchisee or employees of Franchisee that constitutes a violation of any applicable law, by-law or regulation, is dishonest or misleading to Franchisee's customers or prospective customers, or constitutes a danger to employees, customers, or to the public, or which may impair the goodwill associated with the Proprietary Marks. If Franchisor secures any such injunction, declaration or order of specific performance, Franchisee agrees to pay to Franchisor any damages incurred by it as a result of Franchisee's breach of any provision, Franchisor's full legal fees and customer costs and all expenses Franchisor may have incurred to enforce this Agreement (including a reasonable allowance for its employees' time spent).

23.12 Franchisee May Not Withhold Payments

Franchisee agrees that he/she will not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or for any other reason, withhold payment of any amount due whatsoever to Franchisor or its affiliates. No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee as Franchisor may see fit. Franchisor may set off against any payment due by Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors.

23.13 Interest on Late Payments

All amounts payable pursuant to this Agreement or any other agreement between Franchisor and Franchisee shall bear interest after the date upon which the said payment becomes due until paid in full at eighteen percent (18%) per annum at the time the said payment becomes due or the maximum legal rate of interest, whichever is less. The acceptance of any interest payment shall not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to Franchisor's right to terminate this Agreement in respect of such default in accordance with the provisions of this Agreement.

23.14 Changes and Modifications

Franchisee understands and agrees that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another System in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which Franchisee's Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving, modifying or substituting the Proprietary Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions or alterations.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby.

23.15 Acknowledgments

FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS FRANCHISED HEREUNDER, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING THE EXHIBITS HERETO; THAT FRANCHISOR HAS FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO FRANCHISEE'S SATISFACTION; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF HIS/HER OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED "DISCLOSURE REQUIREMENT AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES" AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

FRANCHISEE IS AWARE OF THE FACT THAT SOME FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS IN RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

23.16 Compliance with Patriot Act

Franchisee certifies that neither Franchisee nor its owners, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. (The Annex is available at http://www.treasury.gov/offices/enforcement/ofac/sdn.) Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Article XXI of this Agreement pertain to Franchisee's obligations under this Section 23.16. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

23.17 Step-In Rights

23.17.1 If Franchisor determines in its sole judgment that the operation of Franchisee's business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the franchised business which would cause harm to the franchise system and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the franchised business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern.

23.17.2 Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's business, less the expenses of the business, including reasonable compensation and expenses for Franchisor's representatives. In the event of the exercise of the Step-In Rights by Franchisor**,** Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring

during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

The parties hereto have executed this Agreement under seal as of the day and year first above written.

FRANCHISOR:
CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

PRINCIPAL:

_____

_____
(Print Name)

ATTACHMENT "1"

LOCATION ACCEPTANCE STATEMENT

The location of the Franchise which relates to the foregoing Franchise Agreement dated _____, 20____ between Club KO Franchise LLC ("Franchisor") and _____ ("Franchisee") shall be:

_____
Street Address

_____
City State Zip Code

The Exclusive Territory of the Franchise shall be:

____ As specified in the attached Franchise Agreement

____ As follows: _____

_____

_____

The undersigned Franchisee acknowledges that he/she has made a thorough investigation and analysis of the site for his/her Facility and of the exclusive area of the franchise described above and he/she hereby approves the same.

FRANCHISEE:

By:_____
Name:_____
Title:_____

The undersigned officer of Franchisor hereby approves the above described Facility location.

CLUB KO FRANCHISE LLC

By:_____
Authorized Officer

ATTACHMENT "2"

OPTION FOR ASSIGNMENT OF LEASE

This Option for Assignment of Lease (the "Assignment") made this _____ day of _____, 20___ by and between CLUB KO FRANCHISE LLC, a New Jersey limited liability company located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 (the "Company"), _____ ("Franchisee") and _____ ("Landlord") involving the CKO Kickboxing facility ("Facility") to be located at _____ ("Franchise Location"), with reference to the following facts:

On _____, 20___, Franchisee and Landlord entered into a lease agreement ("Lease"), a fully executed copy of which is to be attached hereto as Attachment 1, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Facility thereon.

On _____, 20___, the Company and Franchisee executed a Franchise Agreement (the "Franchise Agreement") pursuant to the terms of which Franchisee obtained a franchise from the Company to operate the Facility at the Franchise Location.

The Company, Franchisee and Landlord desire to enter into this Assignment to define the rights of the Company in and to the Franchise Location and to protect the interests of the Company in the continued operation of a Facility at the Franchise Location during the entire term of the Lease, and any and all renewals and extensions thereof, and Landlord desires to consent to this Assignment on the terms and conditions set forth herein.

1. Assignment. Franchisee hereby assigns, transfers and conveys to the Company, or its nominee, all of Franchisee's right, title and interest in and to the Lease; however, this Assignment shall become effective only upon the Company's exercise of the option granted to the Company in Section 3 herein subsequent to the occurrence of any of the following events:

(a) Default of Lease. If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within ten (10) days following written demand given by the Company, whichever is sooner.

(b) Default of Franchise Agreement. The occurrence of any acts which would result in immediate termination as specified in the Franchise Agreement or the continuance beyond the period or periods specified in the Franchise Agreement for cure of any default by Franchisee in the performance or payments required under the Franchise Agreement.

(c) Non-Exercise of Option to Renew or Extend. If Franchisee shall have had an option to renew or extend the Lease and shall have failed or elected not to do so within the time specified in the Lease for such renewal or extension, after having notified the Company in advance of Franchisee's intention to not renew or extend pursuant to Section 1(d) hereof, and after being directed in writing by the Company to do so.

(d) Failure to Give Notice. If Franchisee fails to give the Company at least ninety (90) days' prior written notice of his/her intention to exercise or not exercise any option to renew or extend the Lease or to terminate the Lease on at least thirty (30) days' prior written notice of any amendment or modification of the Lease.

(e) Sale of the Facility. Upon Franchisee's sale of Franchisee's right, title and interest in and to the Facility conducted at the Franchise Location.

2. Consent to Assignment. Landlord hereby consents to this Assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, assigned, extended or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of the Company.

3. Exercise of Option by the Company. The Company may exercise the option granted herein and thereby make this Assignment unconditional by giving written notice to Franchisee and Landlord of its exercise of such option in the manner specified in Section 8 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests same, a written assumption of the obligations of the Lease.

The Company shall have the right, concurrently with or subsequent to the Company's exercise of the option granted herein, to assign and transfer its rights under this Agreement to an entity owned or controlled by the Company or to a new franchisee selected by the Company to operate the Facility, with the prior written consent of Landlord, which shall not be unreasonably withheld, provided that such new entity or franchisee shall have a credit rating and a net worth adequate for the operation of the Facility. In such event, such new entity or franchisee shall assume the obligations of the Lease in place and instead of the Company.

4. Termination of Rights of Franchisee. Upon the exercise of the option granted to the Company herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location and all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated and, by the terms of this Assignment, assigned to the Company or its assignee.

5. Vacate Franchise Location. Franchisee shall immediately vacate the Franchise Location within the period permitted by the Lease; however, in the event that Franchisor shall fail or refuse to do so, the Company shall have the right to enter the Franchise Location and take possession of the Franchise Location.

6. Indemnification. Franchisee hereby covenants and agrees to indemnify and hold Landlord and the Company harmless from and against any and all loss, costs, expenses (including attorneys' fees), damages, claims and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by the Company and/or Landlord of the rights and remedies granted under this Assignment.

7. Remedies Cumulative. The remedies granted pursuant to this Assignment are in addition to and not in substitution of any or all other remedies available at law or in equity to the Company or Landlord.

8. Notices.

(a) Writing. All notices, requests, demands, payments, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, addressed as follows:

The Company: Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, New Jersey 07030

With a copy to: Harold L. Kestenbaum, Esq.
Spadea Lignana LLC
1315 Walnut Street, Suite 1352
Philadelphia, Pennsylvania 19107

Franchisee: _____
_____
_____

Landlord: _____
_____
_____

(b) Change of Address. Any party may change its address by giving notice of such change of address to the other parties.

(c) Mailed Notice. Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Section 8.

9. Miscellaneous.

(a) Injunction. Franchisee and Landlord recognize the unique value and secondary meaning attached to the Company's trademarks, trade names, service marks, insignia and logo designs and the Franchise Location displaying same and agree that any noncompliance with the terms of this Assignment will cause irreparable damage to the Company and its franchisees. Franchisee and Landlord therefore agree that in the event of any noncompliance with the terms of this Assignment, the Company shall be entitled to seek both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

(b) Further Acts. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Assignment.

(c) Heirs and Successors. This Assignment shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

(d) Entire Agreement. This Assignment represents the entire understanding between the parties concerning the assignment of the Lease and supersedes all other negotiations, agreements, representations or covenants, oral or written, except any other agreement executed by the Company, Landlord and Franchisee in connection herewith. This Assignment may not be modified except by a written instrument signed by the party to be charged. The parties intend this Assignment to be the entire integration of all of their agreements of any nature. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

(e) Waiver. Failure by any party to enforce any rights under this Assignment shall not be construed as a waiver of such rights. Any waiver, including waiver of default, in any one (1) instance shall not constitute a continuing waiver or a waiver in any other instance.

(f) Validity. Any invalidity of any portion of this Assignment shall not affect the validity of the remaining portion and unless substantial performance of this Assignment is frustrated by any such invalidity, this Assignment shall continue in full force and effect.

(g) Execution by the Company. This Assignment shall not be binding on the Company unless and until it shall have been accepted and signed by an authorized officer of the Company.

(h) Attorneys' Fees. If any party commences an action against any other party arising out of or in connection with this Assignment, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit, including costs and fees on appeal.

10. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of New Jersey; however, if this Assignment concerns a Facility located in a state other than New Jersey and the laws of that state require terms other than those or in addition to those contained herein, then this Assignment shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Assignment or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Assignment which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Assignment. Any prohibition against or unenforceability of any provision of this Assignment in any jurisdiction shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by law, Franchisee and Landlord waive any provision of law which renders any provision of this Assignment prohibited or unenforceable in any respect. Any litigation arising out of or related to this Assignment, or any breach thereof, shall be instituted in a court of competent jurisdiction in the County of Hudson, State of New Jersey.

DATED the date first written above.

THE COMPANY: Club KO Franchise LLC

By:_____
Name:_____
Title:_____

LANDLORD: _____

FRANCHISEE: _____

ATTACHMENT "3"

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT (the "Agreement") is made and entered into this day of _____ (the "Effective Date") by and between Club KO Franchise LLC, a New Jersey limited liability comapny with its principal place of business at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 (the "Franchisor"), and _____, a(n) _____, with its principal place of business located at_____ and _____ _____'s principal(s) _____, an individual residing at _____ _____ and_____, an individual residing at _____ ("Principal(s)"). _____ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a CKO Kickboxing business ("Franchise Agreement") which will allow Franchisee to conduct internet-based advertising, maintain social media and software accounts, and use telephone listings linked to the CKO Kickboxing brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Accounts**

2.1 Interest in Websites, Social Media and Software Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, "Electronic Advertising") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Electronic Advertising: (i) to transfer all of Franchisee's interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Listings: (i) to transfer all Franchisee's interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee's interest in and to the Electronic Advertising to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New Jersey, without regard to the application of New Jersey conflict of law rules.

Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

Club KO Franchise LLC

By:_____

_____, _____
(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

PRINCIPAL:

_____

_____
(Print Name)

ATTACHMENT 4

STATE SPECIFIC ADDENDUM

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

ADDENDUM TO CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA APPENDIX

1. 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 or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement and Area Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

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

7. The Franchise Agreement and Area Development Agreement require application of the laws of New Jersey. This provision may not be enforceable under California law.

8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

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

11. OUR WEBSITE, www.ckokickboxing.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at https://docqnet.dfpi.ca.gov/.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4
ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND
AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Payment of the Initial Franchise Fees and Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

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

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. The appropriate section of the Franchise Agreement shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The Franchisee Disclosure Acknowledgement Statement (ATTACHMENT 5 to the Franchise Agreement) is amended to state all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

5. The appropriate section of the Franchise Agreement is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The appropriate section of the Franchise Agreement is amended to state that based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
_____
Witness

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchises.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE, LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT FOR THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ___ day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreement and Area Development Agreement as follows:

1. Item 13 of the Disclosure Document and Article IX of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document and Section 2.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document and Section 22.11 of the Franchise Agreement and Section 8.11 of the Area Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

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

4. Item 17 of the Disclosure Document and Sections 2.2 and 16.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Section 22.2 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Section 22.4 of the Franchise Agreement and Section 8.4 of the Area Development Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Sections 9.6 and 22.4 of the Franchise Agreement is hereby amended accordingly.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to

start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

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

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

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

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

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

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 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 of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF 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 the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

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

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____

_____
Witness

ATTACHMENT 5

FRANCHISEE ACKNOWLEDGMENT STATEMENT

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

_____
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

_____
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

_____
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

_____
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

_____
Initial

7. Franchisee acknowledges that it has received the CLUB KO FRANCHISE LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

_____
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

_____
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

_____
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

_____
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE CLUB KO FRANCHISE LLC, AND ANY OF CLUB KO FRANCHISE LLC'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE.

_____
Initial

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

Date:_____

PRINCIPAL:

_____

_____
(Print Name)

Date: _____

PRINCIPAL:

_____

_____
(Print Name)

Date: _____

ATTACHMENT 6 TO THE FRANCHISE AGREEMENT

FORM OF SUBLEASE

THIS SUBLEASE made as of this ___ day of _____, ____ ("Sublease") by and between _____, a _____ having its office at _____ (hereinafter "Sublessor"), and _____, having his principal residence at _____ (hereinafter "Sublessee"):

1. Sublease:

(a) This Sublease is subject to and subordinate in all respects to that certain lease (hereinafter "Head Lease") to be entered into between the Sublessor herein as the Lessee and _____ as the Lessor, a copy of which Head Lease in substantial form is attached hereto as Attachment "1" and by this reference made a part hereof as if fully set forth herein.

(b) Sublessee agrees that nothing herein contained shall be deemed to grant Sublessee any rights which would conflict with any of the covenants and conditions of said Attachment "1" and Sublessee agrees that he will do nothing in, on or about the demised Premises or fail to do anything which would result in a breach of Sublessor of its undertakings and obligations under the Head Lease.

(c) Nothing contained herein shall be construed as a guarantee by Sublessor of any of the obligations, covenants, warranties, agreements, or undertakings of Lessor in the Head Lease nor as an absolute or unconditional undertaking by Sublessor to perform the obligations of Lessor on the same terms as are contained in the Head Lease.

2. Premises:

(a) Sublessor hereby subleases to Sublessee, and Sublessee hires from Sublessor, the premises known as _____ and the building located thereon (hereinafter "Premises") to be used by Sublessee only as a franchisee of Club KO Franchise LLC (hereinafter "Franchisor") for the sole purpose of operating a "CKO Kickboxing" fitness business (the "Franchised Business") subject to the terms of a certain Franchise Agreement entered into by and between Franchisor and Sublessee dated _____, 20__ (the "Franchise Agreement").

(b) If required, Sublessee agrees to complete those leasehold improvements at Sublessee's sole cost and expense in conformity with all of the terms of the Head Lease and in general conformity with the prototype plans and designs for the Franchised Business.

(c) Sublessee shall promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of federal, state and local governments and of any and all their departments and bureaus applicable to said Premises.

(d) Before commencing any work or installing any equipment in connection with repair or alteration of the Premises, Sublessee shall:

(i) Obtain the necessary consents, authorizations and licenses from the federal, state and/or municipal authorities asserting jurisdiction over the work to be done, and no work shall be started or equipment installed unless and until all such necessary consents, authorizations and licenses shall first have been duly obtained by the Sublessee

and/or his contractor or other persons doing the work or installing the equipment on behalf of Sublessee. The foregoing shall not apply if Sublessor assumes responsibility for obtaining the foregoing;

(ii) Enter into proper contracts with contractors, subcontractors and materialmen, which contracts will provide, among other things, that said work shall be done and equipment installed in good workmanlike manner and in accordance with the plans and specifications previously approved, and consents, authorizations and licenses previously obtained, and which contracts shall provide that the contractor or other persons referred to above will look solely to the Sublessee for payment and will hold the Sublessor and the Premises free from all liens and claims of any persons furnishing labor or furnishing materials therefor, or both, and will also provide similar waivers or rights to file liens obtained from any and all of said contractors, subcontractors and materialmen; copies of said contracts together with duly executed waivers of the right to file liens executed by the contractors or other persons referred to above shall be furnished to the Sublessor;

(iii) Sublessee shall also indemnify and save harmless Sublessor against any and all bills for labor performed and equipment, fixtures and material furnished to Sublessee in connection with said work as aforesaid, and against any and all liens, bills or claims therefor or against the Premises; and within twenty (20) days bond or discharge any such liens, the failure to do so shall be deemed a material breach of this Sublease; and

(iv) Sublessee, at his own cost and expense, with respect to any repairs or alterations made by him, shall promptly comply with all laws, ordinances, orders, rules and regulations of each and every department and bureau of the city and state and the United States and any other lawful authority asserting jurisdiction over the Premises, and shall reimburse Sublessor for any expenses incurred on account of failure by Sublessee to comply with any such requirements, and any expenses so incurred by Sublessor as aforesaid shall be deemed "additional rent" under this Sublease and due and payable by Sublessee to Sublessor on the first day of the month following the payment of same by Sublessor. Sublessee, or any contractors employed by Sublessee, or any other persons who will do the work or install the equipment as aforesaid, shall be fully covered by Worker's Compensation Insurance and liability insurance in the minimum amount of $1,000,000/$2,000,000, and certificates thereof shall be furnished to Sublessor before commencement of any work by any such contractor or persons as aforesaid.

(e) If Sublessee requests Sublessor to guarantee an obligation to the architect or contractor commissioned by Sublessee for the improvements, and Sublessor agrees to do so in a separate instrument, Sublessee agrees that any default in payment by Sublessee to the architect or contractor shall constitute a material breach hereof and shall be treated as though Sublessee has defaulted in the payment of rent hereunder. Sublessee acknowledges that any such guarantee will be given by Sublessor merely as an accommodation to Sublessee and Sublessee agrees to hold Sublessor harmless thereunder. This provision shall not be construed to be an agreement by Sublessor to make such a guarantee, which can only be made in a separate instrument.

3. Term:

(a) This Sublease shall commence on the date hereof and shall end one (1) day prior to the end of the Head Lease.

(b) Sublessee shall have such options to renew this Sublease as are provided to Sublessor in the Head Lease to renew same, if any, which options shall be conditioned upon Sublessor exercising in each instance the option in the Head Lease to which Sublessee's option relates and shall be conditioned upon the Franchise Agreement being in full force and effect and Sublessee being in full compliance therewith.

(c) Each option period, if any, shall run for one (1) day less than the period available to Sublessor under the Head Lease and shall therefore expire one (1) day prior to the end of the then-current term.

4. Rental:

(a) The fixed minimum rental payable by Sublessee shall be _____ Dollars ($_____).

The above rental is the net minimum rental and shall be absolutely net to the Sublessor without any right of offset, claim or withholding.

(b) In the event the Head Lease contains a provision which may result in the rental payable by Sublessor under the Head Lease being adjusted on the basis of percentage rent charges or being adjusted during the term hereof or in any renewal term because of cost of living index changes or other incremental increases, and in the event such an adjustment is in fact made under the Head Lease, the fixed minimum rental payable hereunder shall be adjusted by the same percentage as the rent under the Head Lease is adjusted.

(c) The fixed monthly rental installments and additional rents and charges shall be paid directly to Lessor in accordance with the terms of the Head Lease, unless otherwise directed by Sublessor.

(d) Any monies due to Franchisor from Sublessee or other payments to be made by Sublessee pursuant to the Franchise Agreement shall be deemed additional rent hereunder.

5. Sublessee's Franchise from Franchisor:

(a) Simultaneously with, or prior to, execution of this Sublease, Sublessee has also entered into the Franchise Agreement solely for the operation of the Franchised Business at the Premises. Sublessee agrees that if the aforesaid Franchise Agreement shall be terminated pursuant to its terms for any reason, Sublessor shall then have the unqualified and absolute right to terminate this Sublease upon five (5) days' written notice, and at the end of said five (5) day notice period, the Sublessor may re-enter or may institute summary or holdover proceedings to evict Sublessee and all those in possession of the Premises by reason of the termination of this Sublease as herein provided.

(b) Any uncured default under the Franchise Agreement by Sublessee shall constitute a material default hereunder and shall entitle Sublessor to re-enter the Premises, without being liable for trespass, or institute summary or holdover proceedings to evict Sublessee and all those in possession in the event such default remains uncured. And, wherever the default under the Franchise Agreement shall pertain to the payment of money by Sublessee, such default thereunder shall constitute a default in the payment of rent hereunder and Sublessor shall have all remedies available to it hereunder as though the same were a default in the payment of the fixed minimum rental.

6. Head Lease Inclusions and Exclusions:

(a) The parties hereby agree that all of the other covenants and agreements by the Franchisor or Sublessor, including all extra charges and obligations, if any, which are contained in the aforesaid Head Lease, including all riders and addenda hereto (being Attachment "1" hereto), are hereby assumed by Sublessee and by this reference are made a part hereof and included in this Sublease as if herein fully written and as if the words "Sublessor" and "Sublessee" were originally wherever the words "Lessor" and "Lessee" appear therein.

(b) With reference to the included paragraphs of said Head Lease pertaining to the insurance obligations of Sublessor, which along with all others are hereby taken over from the Sublessor and assumed by Sublessee, it is agreed that the insured parties under all of said insurance policies shall be as their interest may appear (in addition to Sublessee).

7. Tax Deposit:

When and if requested, Sublessee agrees to pay to Sublessor in advance, on each monthly rental payment date, an additional amount equal to one twelfth (1/12) of the annual taxes and assessments levied against the Premises for the period for which collected. Sublessor shall use such monies for payment of such taxes or assessments as they become due and payable. In the event such monies are insufficient for such purpose, Sublessee shall immediately, upon notice, pay the difference to Sublessor. In remitting such taxes or assessments, Sublessor shall not be responsible for their validity, accuracy or reasonableness and shall not be required to make advances thereof. Sublessor shall not be required to pay any interest on any payments made hereunder by Sublessee and Sublessee hereby expressly waives any right, statutory or otherwise, to have Sublessor pay interest on said payment.

8. Assignment and Subletting:

Sublessee shall not assign or sublet the Premises or any part thereof. Sublessor shall be under no obligation whatsoever to consent to, approve or submit to any assignment or subletting and may withhold such consent or approval for any reason or no reason.

9. Notices:

All notices to be given to the Sublessor or Sublessee may be given in writing personally or by certified mail, return receipt requested, postage prepaid; sent to Sublessee at the Premises and to the Sublessor at _____. Delivery thereof shall be conclusively presumed as having been made within three (3) days from the date of mailing.

10. Default and Remedies:

(a) Any monetary obligation of Sublessee, including rental payments which are not paid when due, shall bear interest from the due date at a rate per annum of two (2) percentage points above the prime lending rate of Citibank, N.A. in effect on the first day of each month for the period during which any such amount is outstanding. This provision does not limit any other remedies as provided hereunder.

(b) If any voluntary or involuntary petition in bankruptcy shall be filed by or against Sublessee, or any voluntary or involuntary proceedings in any court or tribunal shall be instituted to declare Sublessee insolvent or unable to pay his debts, then upon such occurrence, but with or without entry or other action by Sublessor, this Sublease and the Franchise Agreement shall immediately

terminate, and, notwithstanding any other provisions of this Sublease, Sublessor shall forthwith upon such termination be entitled to recover damages in an amount equal to the rental herein provided for the residue of the term hereof.

(c) If Sublessee defaults in the payment of rent, or if Sublessee defaults in the prompt and full performance of any other provision of this Sublease and such other default continues for ten (10) days after Sublessor's written notice thereof to Sublessee, or if Sublessee makes an assignment for the benefit of creditors, or if a receiver be appointed for the property of Sublessee, or if Sublessee abandons or vacates the Premises, then, and in any such event, Sublessor may, if Sublessor so elects, but not otherwise, and with or without notice of such election and with or without any demand whatsoever, either forthwith terminate this Sublease and Sublessee's right to possession of the Premises, or without terminating this Sublease, terminate Sublessee's rights to possession of the Premises and Franchisor may terminate the Franchise Agreement.

(d) In addition to the remedies of Sublessor specified in the aforesaid paragraphs, the parties hereto agree that the only notices necessary to terminate this Sublease and the Franchise Agreement are those enumerated in the respective agreements, with all other notices and demands required by statute or law being hereby waived by Sublessee, and further that this Sublease and the Franchise Agreement may also be terminated at the election of Sublessor or Franchisor without further notice or demand in the following event:

(i) If Sublessee establishes a pattern of repeated defaults in that Sublessee fails to make any payment of money under this Sublease when due or defaults in the performance of any covenants, undertakings, or obligations, other than for the payment of money required by this Sublease to be performed by Sublessee, in three (3) consecutive calendar months or in any four (4) months during the same calendar year (whether the same or different failures or defaults are involved), then notwithstanding that Sublessee has cured within the times prescribed for any such failures and defaults occurring in the first two (2) consecutive months or in any three (3) months in the same calendar year, it is nevertheless agreed that the occurrence of such failure or default for the third consecutive calendar month or for the fourth month in the same calendar year shall be conclusively deemed to be an immediate material breach of this Sublease permitting termination without further demand or notice of any kind and without any right on the part of Sublessee to cure; and

(ii) If Sublessee willfully falsifies any statement or report required to be submitted to Sublessor under the terms of this Sublease.

(e) If Sublessee attempts to or actually does pledge, hypothecate or mortgage this Sublease to any third party, this Sublease shall immediately terminate.

(f) In addition to all other remedies available to Sublessor hereunder, and not by way of limitation, if Sublessee shall default in the observance or performance of any term or covenant on its part to be performed or observed under or by virtue of any of the terms or provisions in any article of this Sublease, Sublessor, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Sublessee. Such sums paid or obligations incurred with interest and costs shall be deemed to be additional rent hereunder and shall be paid to Sublessor by Sublessee.

11. Right of Entry and/or Possession:

If, for any reason, Sublessee should be in default of his obligations hereunder or in his obligations under the Franchise Agreement, or any stipulation signed by Sublessee, the Sublessor shall have the right to enter upon the Premises of Sublessee at any hour, not just Sublessee's business hours, to take possession of the Franchised Business and Sublessee agrees that the Sublessor shall not be required to obtain prior permission to enter upon the Premises and operate the Franchised Business; Sublessee hereby grants the Sublessor the limited power of attorney to obtain an order and judgment on the Sublessee's behalf in any court of competent jurisdiction to order and authorize the entry of the Sublessor on the Premises and the operation of the Franchised Business. Franchisee further agrees that if the Sublessor is forced to resort to this procedure by any interference with the Sublessor's rights hereunder or for any other reason, Sublessee shall pay all attorneys' fees and other costs associated with the Sublessor's obtaining such order and judgment on its behalf.

12. Abandoned Property:

Any personal property or equipment of Sublessee which is removable by Sublessee pursuant to the Head Lease, if not removed within ten (10) days of Sublessee's vacating of the demised Premises for any reason, shall, at the option of Sublessor, be deemed to have been abandoned and in such event shall, in consideration of the making of this Sublease, thereupon become the property of Sublessor.

13. Guaranty By Principal of Sublessee:

In consideration of the making of this Sublease by Sublessor, the undersigned principal of Sublessee does hereby guarantee to Sublessor the payment of all rent, additional rent, impositions and charges of any kind required herein to be paid by Sublessee and the performance by Sublessee of all of the terms and conditions of this Sublease. Said principal hereby waives any notices hereunder or acceptance hereof and consents to any extension of time, indulgence or waivers granted by Sublessor to Sublessee or any other action or modification of the Sublease terms regardless of whether they affect the extent or nature of the obligations of the Sublessee and said principal agrees to pay all of the Sublessor's expense, including attorneys' fees incurred by Sublessor in enforcing this Guaranty or the obligations of the Sublessee herein.

14. Miscellaneous:

(a) The words "Sublessor" and "Sublessee" shall mean respectively all parties of Sublessor or Sublessee, regardless of number, and the word "he" shall be synonymous with "she", "it" and "their".

(b) All remedies of the parties hereto are cumulative.

(c) No waiver by Sublessor of any provision or undertaking hereunder shall be valid unless in writing signed by an authorized officer of Sublessor. No waiver by either party hereto of any provision or default hereunder, whether in a single instance or repeatedly, shall be deemed a future waiver of such provision or default. Receipt or acceptance of rent by Sublessor shall not be deemed a waiver of any default under the covenants, agreements, terms, provisions and conditions of this Sublease, or of any right which Sublessor may be entitled to exercise under this Sublease.

IN WITNESS WHEREOF, the parties have executed this instrument the day and year first above written.

SUBLESSOR:

BY:_____

WITNESS:

_____

SUBLESSEE:

_____

WITNESS:

_____

PRINCIPAL OF SUBLESSEE (If Sublessee is a Corporation)

_____

ATTACHMENT 7 TO THE FRANCHISE AGREEMENT

FORM OF ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the ____ day of _____, 20___ (the "Effective Date") by and between _____, a _____ with its principal place of business at _____ ("Seller") _____, a _____ company with its principal office at _____ ("Purchaser").

WHEREAS, Seller owns and operates a "CKO Kickboxing" fitness business located in a leased premises known as _____ ("Franchised Business"); and

WHEREAS, Purchaser desires to purchase certain tangible assets used in the operation of the Franchised Business, and Seller desires to effect the same, all on the terms and conditions set forth below; and

WHEREAS, Purchaser desires to enter into franchise agreement with Club KO Franchise LLC, a New Jersey limited liability company headquartered at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 ("Franchisor"), in the forms annexed hereto as Exhibit A (the "Franchise Agreements") simultaneously with the purchase of the assets of the Franchised Business.

NOW, THEREFORE, the parties hereto agree as follows, intending to be legally bound hereby:

1. ASSETS TO BE PURCHASED AND SOLD. Subject to and upon the terms and conditions set forth in this Agreement, Seller hereby sells, assigns, transfers, conveys and delivers to Purchaser, and Purchaser hereby purchases from Seller, the following assets used in the operation of the Franchised Business (collectively the "Acquired Assets"):

(a) All of Seller's right, title and interest in and to the furniture, fixtures, leasehold improvements and equipment located within the Franchised Business, as described on annexed hereto;

(b) All existing and prospective business relationships, reputation and intangibles which may be characterized as "goodwill"; and

(c) The acquisition of the franchise rights pursuant to the Franchise Agreement, in the form annexed hereto as Exhibit A.

2. ASSUMED LIABILITIES; EXCLUDED ASSETS. Notwithstanding anything contained in this Agreement to the contrary,

(a) Purchaser is assuming all of the liabilities of the Seller arising out of the operation of the Franchised Business which become performable or payable subsequent to the Effective Date (including the lease for the premises currently applicable to the operation of the Franchised Business). Seller represents and warrants that as of the date of Closing, there are no outstanding liabilities to be assumed by Purchaser.

(b) Except as specifically set forth in Section 1 above, all other assets of the Seller are specifically excluded from this sale and are not being purchased by Purchaser, including, without limitation, the existing intellectual property, cash, cash equivalents, bank accounts, security deposits,

negotiable and non-negotiable instruments, notes, bills, stocks, rights to dividends or any payments due to or owed to Seller immediately prior to the date hereof.

3. PURCHASE PRICE.

(a) The purchase price for the Acquired Assets is _____ Dollars ($_____) (the "Purchase Price"), payable by Purchaser to Seller as follows: (i) _____ Dollars ($_____) by cash or certified check upon execution of a Deposit Agreement between Purchaser and Seller; (ii) _____ Dollars ($_____) by cash or certified check within ninety (90) days of _____; and (iii) the balance of _____ ($_____) by cash or certified check at the Closing of this sale.

4. EXCLUDED LIABILITIES. Except as specifically set forth in Section 2(a) above, Purchaser is assuming no liabilities of Seller incurred prior to the Effective Date, whether known or unknown, fixed or contingent, secured or otherwise ("Excluded Liabilities"). Unless otherwise set forth herein, Purchaser shall be solely responsible for any liabilities arising out of the operation of the Franchised Business or the Acquired Assets from and after the Effective Date. Seller shall be solely responsible for and shall have paid all Excluded Liabilities prior to the execution of this Agreement.

5. DOCUMENTS TO BE EXECUTED ON THE DATE HEREOF. In addition to the execution of this Agreement, Purchaser shall execute the Franchise Agreements.

6. CONDITIONS PRECEDENT TO CLOSING. The Closing of this sale shall be conditioned upon Purchaser accepting the Franchisor's Franchise Disclosure Document and executing Franchisor's then-current Franchise Agreement.

7. DOCUMENTS DELIVERED AT CLOSING.

(a) On the date of Closing, Purchaser shall deliver to Seller the following:

(i) the Purchase Price;

(ii) the Operating Agreement of the Purchaser containing appropriate resolutions of Purchaser's Members authorizing the transactions contemplated herein and a good standing certificate dated as of a date reasonably close to the closing date;

(iii) issuance of a new lease executed by _____, as lessor of the _____, to Purchaser or his assigns; and

(iv) any other documents, certificates or agreements reasonably requested by Seller's counsel to effectuate the intent of this Agreement.

(b) On the date of Closing, Seller shall deliver to Purchaser the following:

(i) Bill of Sale transferring to Purchaser all of Seller's right, title and interest in and to the Acquired Assets, free and clear of all liens, claims and encumbrances;

(ii) Secretary's Certificate of the Seller containing appropriate corporate resolutions of Seller's Board of Directors authorizing the transaction contemplated herein and a good standing certificate of Seller dated as of a date reasonably close to the closing date; and

(iii) any other documents, certificates or agreements reasonably requested by Purchaser's counsel to effectuate the intent of this Agreement.

8. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser represents and warrants to Seller as follows:

(a) that Purchaser is a _____ duly organized, validly existing and in good standing under the law of the State of _____ and that Purchaser has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The Agreement has been duly and validly authorized, executed and delivered by Purchaser and (assuming the valid execution and delivery of the Agreement by Purchaser) constitutes a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms; and

(b) that Purchaser shall be subject to all covenants contained in the Franchise Agreements, including, but not limited to, all confidentiality and non-disclosure covenants and non-competition covenants.

9. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller represents and warrants to Purchaser as follows:

(a) Organization and Good Standing of Seller. Seller is a _____ duly organized, validly existing and in good standing under the law of the State of _____.

(b) Authorization of Agreement and Enforceability. Seller has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The Agreement has been duly and validly authorized, executed and delivered by Seller and (assuming the valid execution and delivery of the Agreement by Purchaser) constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

(c) Title to Properties; Encumbrances. Seller has good and marketable title to the Acquired Assets. None of the Acquired Assets is subject to any mortgage, pledge, lien, security interest, encumbrance or charge of any kind.

(d) Litigation. There is no claim, action, suit, proceeding, arbitration, investigation or inquiry pending or threatened against Seller before any federal, state, local, or other court or governmental, administrative, or self-regulatory body or agency, or any private arbitration tribunal, relating to the Franchised Business, or the Acquired Assets or the transactions contemplated by this Agreement; nor to the best of Seller's knowledge is there any basis for any such claim, action, suit, proceeding, arbitration, investigation or inquiry. Seller is not in default under any order, license, regulation or demand of any federal, state or local, or other court or governmental, administrative or self-regulatory body or agency.

(e) Taxes. Seller has timely filed, caused to be filed with or obtained appropriate extensions from the appropriate governmental agencies or departments all federal, state and local taxes and returns for taxes required to be filed by it through the date of Closing.

10. INDEMNIFICATION

(a) Indemnification by Purchaser. Purchaser hereby agrees to indemnify, defend and hold Seller (and any permitted assignee) harmless from and against any damage, claim, liability, loss or deficiency (including, without limitation, reasonable attorneys' fees and other costs and expenses incident to any suit, action or proceeding) arising out of or resulting from, and shall pay Seller on demand the full amount of any sum or sums which Seller may pay or become obligated to pay on account of: (i) the breach of any material representation or warranty made by Purchaser herein or in any material agreement, instrument or document delivered pursuant to or in connection with this Agreement, (ii) any failure of Purchaser to duly perform or observe any material term, provision, covenant, or agreement herein or in any material agreement, instrument or document delivered pursuant to or in connection with this Agreement on the part of Purchaser to be performed or observed, and (iii) any liability or obligation with respect to the Acquired Assets or the operation of the Franchised Business arising with respect to any events or circumstances existing or occurring on or after the Effective Date.

(b) Indemnification by Seller. Seller hereby agrees to indemnify, defend and hold Purchaser (and any permitted assignee) harmless from and against any damage, claim, liability, loss or deficiency (including, without limitation, reasonable attorneys' fees and other costs and expenses incident to any suit, action or proceeding) arising out of or resulting from, and shall pay Purchaser on demand the full amount of any sum or sums which Purchaser may pay or become obligated to pay on account of: (i) the breach of any material representation or warranty made by Seller herein or in any material agreement, instrument or document delivered pursuant to or in connection with this Agreement, (ii) any failure of Seller to duly perform or observe any material term, provision, covenant, or agreement herein or in any material agreement, instrument or document delivered pursuant to or in connection with this Agreement on the part of Seller to be performed or observed, and (iii) any liability or obligation with respect to the Acquired Assets or the operation of the Franchised Business arising with respect to any events or circumstances existing or occurring on or after the Effective Date.

(c) No Waiver. No failure or delay on the part of a party in exercising any right, power or remedy under this Agreement, or available to a party at law or in equity, shall operate as a wavier of such right, power or remedy, nor shall any single or partial exercise of any such right, power or remedy preclude any further exercise thereof or the exercise of any other right, power or remedy available to such party, unless the waiver so provides by its terms. The remedies provided in this Agreement are cumulative and not exclusive of any remedies available to any party at law or equity.

11. ASSIGNMENT. This Agreement, and the rights and obligations created hereunder, shall be assignable and delegable by Purchaser to a corporate entity formed to operate the Franchised Business. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns. Notwithstanding the foregoing, Seller shall have the right to assign its obligations hereunder without Purchaser's prior consent in connection with a sale of all or substantially all of Seller's assets to a third party or a merger in which Seller is not the surviving entity provided that any such party agrees to be bound by the terms of this Agreement.

12. NOTICES. Any notices, request, permission or consent required hereunder or in connection herewith shall be deemed satisfactorily given, effective upon receipt, if in writing and delivered by hand, sent by telex, telecopy, cable, same day or overnight courier, or mailed (registered or certified mail), in each case addressed as set forth herein below. Notwithstanding the foregoing, a notice shall be deemed to have been received as of the date of which the United States postal service shall advise that delivery of such notice at the address specified above has been refused:

If to Seller, addressed to:

_____
_____
_____
Attention: _____
Facsimile No.: _____

If to Purchaser:

_____
_____
_____
Attention: _____
Facsimile No.: _____

with a copy to:

_____
_____
_____
_____
Facsimile No.: _____

13. GOVERNING LAW. This Agreement shall be governed by and interpreted under the law of the State of New Jersey without regard to any principles of conflict of laws. In connection with any legal suit, action or proceeding arising out of or relating to this Agreement, each of the parties hereby (i) submits to the exclusive jurisdiction of the Federal District Court in the County of _____, New Jersey; (ii) waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding; (iii) waives any objection of forum non conveniens; and (iv) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding

14. ENTIRE AGREEMENT. This Agreement and the attachments hereto incorporate and supersede all previous discussions, negotiations and communications, and constitute the entire agreement between the parties hereto with respect to the purchase and sale of the Franchised Business and the Acquired Assets and shall not in any manner be supplemental, amended or modified except by a written instrument executed on behalf of the parties hereto by their duly authorized representatives and executed of even date herewith or subsequent hereto. No party herein is relying on anything not expressly contained herein.

15. HEADINGS. Headings are included in this Agreement for convenience only and shall not be used to construe or interpret this Agreement.

IN WITNESS WHEREOF, the parties hereto do hereby execute this Agreement as of the date first above written.

_____

By:_____
Name:_____
Title:_____

_____

By:_____
Name:_____
Title:_____

Exhibit A

Franchise Agreement

Schedule 1(a)

Equipment and Fixtures

Schedule 3(b)

Allocation of Purchase Price

_____ Franchise Agreement – $_____
Furniture, Fixtures, Equipment and Goodwill – $_____

Schedule 7(c)

Title to Properties; Encumbrances

ATTACHMENT 8 TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees, shareholders, officers, directors, general partners, members and managers of Franchisee)

In consideration of my being a _____of _____ ("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from Club KO Franchise LLC (the "Company") to establish and operate a CKO Kickboxing Facility (the "Franchised Business") only at the following authorized and approved location: _____ (the "Approved Location").

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Franchised Businesses, which feature and offer exercise equipment and machines, fitness training services, and related products and services. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Confidential Operations Manuals (the "Manuals"), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any retail business or e-commerce business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products offered by a Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 the Protected Territory (as defined in the Franchise Agreement ("Protected Territory");

7.2 ten (10) miles of the Protected Territory; or

7.3 fifteen (15) miles of any Franchised Business operating under the System.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of New Jersey. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By:_____

Name:_____

Title:_____

ATTACHMENT 9 TO THE FRANCHISE AGREEMENT

GUARANTY

This Guaranty and Covenant (this "Guaranty") is given by the undersigned ("Guarantor") on____ _____ to Club KO Franchise LLC, a New Jersey limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchisee Agreement") with _____, a(n) _____ _____, _____ and _____ _____(collectively "Franchisee").

Guarantor acknowledges that Guarantor is the spouse of Franchisee's Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Article XV of the Franchise Agreement ("Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

_____

Print Name: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

CLUB KO FRANCHISE LLC

AREA DEVELOPMENT AGREEMENT

_____

AREA DEVELOPER

_____

DATE

TABLE OF CONTENTS

ARTICLE I **1**
DEVELOPMENT RIGHTS AND OBLIGATIONS 1
ARTICLE II **2**
GRANT OF FRANCHISES TO AREA DEVELOPER 2
ARTICLE III **3**
DEVELOPMENT FEE 3
ARTICLE IV **3**
TERMINATION BY FRANCHISOR 3
ARTICLE V **4**
EFFECT OF TERMINATION AND EXPIRATION 4
ARTICLE VI **4**
ASSIGNMENT 4
ARTICLE VII **6**
ENFORCEMENT 6
ARTICLE VIII **8**
DISPUTE RESOLUTION 8
ARTICLE IX **11**
INDEPENDENT CONTRACTORS/INDEMNIFICATION 11
ARTICLE X **12**
NOTICES AND PAYMENTS 12

EXHIBITS

A – DEVELOPMENT AREA
B – DEVELOPMENT FEE AND DEVELOPMENT PERIOD
C – STATE SPECIFIC ADDENDUM

AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 20__ by and between Club KO Franchise LLC, a New Jersey limited liability company, with its principal office at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 (the "Franchisor") and _____, a _____ corporation whose principal address is _____ ("Area Developer").

W I T N E S S E T H:

WHEREAS, the Area Developer has entered into a Franchise Agreement with Franchisor dated _____, 20__ (hereinafter referred to as the "Franchise Agreement") to operate a business using Franchisor's plan and a system of uniform standards, methods, procedures, specifications, merchandising and advertising (hereinafter referred to as the "System") for the operation of a CKO Kickboxing facility (hereinafter referred to as "Facility") which offers fitness kickboxing classes, including a proprietary ten (10) week program under the trade name, trademark and service mark of "CKO Kickboxing", together with such other proprietary marks as may be hereafter designated as a part of the System and not thereafter withdrawn (collectively, the "Proprietary Marks"); and

WHEREAS, the Area Developer wishes to obtain the rights and license from Franchisor for the use of the System and Proprietary Marks and, in association therewith, to own and operate additional Facilities in the area described in Schedule "A" attached hereto (hereinafter referred to as the "Exclusive Area") and understands and accepts the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Franchisor's high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the System and the Proprietary Marks; and

WHEREAS, Franchisor has the sole and exclusive right to the goodwill associated with the System and the Proprietary Marks and is willing to grant the use and license to the Area Developer on the terms and conditions herein contained to use the System and the Proprietary Marks; and

WHEREAS, Area Developer acknowledges that it has read this Agreement and Franchisor's Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all Facilities in order to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Area Developer acknowledges that it has not received or relied on any representations, written or oral, about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor's Disclosure Document or to the terms herein, and further represents to Franchisor, as an inducement to its entry into this Agreement, that Area Developer has made no misrepresentations, written or oral, to Franchisor in the application for the multi-unit development rights granted hereunder.

ARTICLE I
DEVELOPMENT RIGHTS AND OBLIGATIONS

1.1 Subject to the provisions contained herein, this Agreement shall be for a term commencing on the date hereof and expiring on the last day of the last development period as defined in Exhibit B, attached hereto and incorporated herein by reference ("Development Period").

1.2 Franchisor retains the right, in its sole discretion and without granting any rights to Area Developer: (a) to itself own and operate, or to grant other persons the right to own and operate, Facilities at such locations outside the Area Developer's area of development as described in Exhibit A, attached hereto and incorporated herein by reference ("Development Area"), and on such terms and conditions as Franchisor deems appropriate in its sole discretion; and (b) to sell outside the Development Area the services and products authorized for Facilities under the Proprietary Marks or other trademarks, service marks and commercial symbols through dissimilar channels of distribution and pursuant to such terms and conditions as Franchisor deems appropriate.

1.3 Provided Area Developer: (i) is in full compliance with the terms and conditions contained in this Agreement, including, without limitation, the development obligations contained in Section 1.4; and (ii) is in full compliance with all obligations under all Franchise Agreements heretofore or hereafter entered into with Franchisor; then during the Development Periods, Franchisor: (1) will grant to Area Developer, in accordance with the provisions of Article II hereof, franchises for the ownership and operation of Facilities located within the Development Area; and (2) will not operate (directly or through an affiliate), nor grant a franchise for the operation of, any Facility to be located within the Development Area, except such franchises as are granted to Area Developer.

1.4 Area Developer agrees, during the term of this Agreement, that it will at all times faithfully, honestly and diligently perform its obligations hereunder and that it will continuously exert its best efforts to promote and enhance the development of Facilities within the Development Area. Without limiting the foregoing obligation, Area Developer agrees to have signed leases within the Development Area for the cumulative number of Facilities at the end of each Development Period set forth in Section 2 of Exhibit B hereof ("Minimum Development Quota") and to have each such Facility open and operating within ninety (90) days from the signing of its respective lease. If Area Developer fails at any time to meet any Minimum Development Quota, Franchisor shall have the right to terminate this Agreement by delivering a notice to Area Developer stating that Franchisor elects to terminate this Agreement as a result of such failure. Such termination shall be effective upon delivery of such notice of termination. Franchisor's right to terminate this Agreement shall be the sole and exclusive remedy of Franchisor for Area Developer's failure to meet a Minimum Development Quota.

ARTICLE II
GRANT OF FRANCHISES TO AREA DEVELOPER

2.1 Subject to the provisions of Article I hereof, Franchisor agrees to grant franchises to Area Developer for the operation of Facilities located within the Development Area, subject to the following:

> Area Developer shall submit to Franchisor a complete site report (containing such demographic, commercial, and other information and photographs as Franchisor may reasonably require) for each site at which Area Developer proposes to establish and operate a Facility and which Area Developer reasonably believes to conform to site selection criteria established by Franchisor from time to time. Such proposed site shall be subject to Franchisor's prior written approval, which will not be unreasonably withheld. In approving or disapproving any proposed site, Franchisor will consider such matters as it deems material, including, without limitation, demographic characteristics of the proposed site, traffic patterns, density of population, and other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site) and the size of premises, appearance, and other physical characteristics.

2.2 By delivery of written notice to Area Developer, Franchisor will approve or disapprove sites proposed by Area Developer for the operation of a Facility. Franchisor agrees to exert its best

efforts to deliver such notification to Area Developer within thirty (30) days of receipt by Franchisor of the complete site reports and other materials requested by Franchisor, containing all information reasonably required by Franchisor. If Area Developer shall have failed to obtain lawful possession of any approved site (through acquisition, lease, or sublease) within thirty (30) days after delivery of Franchisor's approval thereof, Franchisor may, at its sole discretion, withdraw approval of such site.

2.3 Provided Area Developer shall have obtained lawful possession of any approved site, Franchisor shall offer to Area Developer a franchise to operate a Facility at such approved site by delivering to Area Developer a Franchise Agreement in form for execution by Area Developer. Such Franchise Agreement shall be executed by an officer of the Area Developer and returned to Franchisor within fifteen (15) days of Franchisor's delivery thereof, with payment of the balance of the initial franchise fee required thereunder. If Area Developer fails to execute such Franchise Agreement and tender payment of the balance of the initial franchise fee as above provided, Franchisor may, at its sole discretion, terminate its offer to grant to Area Developer a franchise to operate a Facility at such approved site and withdraw its approval of such site.

ARTICLE III
DEVELOPMENT FEE

Concurrently with the execution of this Agreement, unless otherwise indicated on Exhibit B hereof, Area Developer shall pay to Franchisor the sum set forth in Section 1 of Exhibit B hereof as a non-refundable Development Fee, which shall be deemed fully earned by Franchisor upon execution of this Agreement.

In the State of Illinois, Franchisor will defer the payment of the initial franchise fee, development fee and any other initial payment until Area Developer opens its business and it is operating. This deferral has been imposed by the Illinois Attorney General's Office based on the Franchisor's financial condition.

In the state of California, payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business under each Franchise Agreement.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Development Fee, initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

ARTICLE IV
TERMINATION BY FRANCHISOR

In addition to Franchisor's right to terminate under Section 1.4 hereof, Franchisor shall have the right to terminate this Agreement by delivering a notice to Area Developer stating that Franchisor elects to terminate this Agreement as a result of any of the breaches set forth below. Such termination shall be effective upon delivery of such notice of termination or, if applicable, upon failure to cure (to Franchisor's satisfaction) any such breach by the expiration of any period of time within which such breach may be cured in accordance with the provisions set forth below. It shall be a material breach of this Agreement if:

(a) Area Developer, or any of its shareholders, makes an unauthorized assignment or transfer of this Agreement or an ownership interest in Area Developer;

(b) a general partnership interest in Area Developer (if Area Developer is a limited partnership) is terminated for whatever reason;

(c) Area Developer, or any of its shareholders, has made any material misrepresentation or omission in its application for the development rights conferred by this Agreement or is convicted of or pleads no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Proprietary Marks;

(d) Area Developer fails to comply with any other provision of this Agreement;

(e) Area Developer fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Area Developer; or

(f) Franchisor has delivered a notice of termination of a Franchise Agreement in accordance with its terms and conditions as defined in such agreement.

Area Developer shall have the right to cure a breach under Paragraph (d) within thirty (30) days after delivery of Franchisor's notice of termination.

ARTICLE V
EFFECT OF TERMINATION AND EXPIRATION

5.1 All obligations of Franchisor and Area Developer under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

5.2 Upon termination, transfer, or expiration of this Agreement, Area Developer agrees that for a period of two (2) years, commencing on the effective date of expiration, transfer, or termination of this Agreement, Area Developer (and its shareholders or partners) will not have any interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any fitness studio that offers products or services similar to those offered at the Facility located or operating within the Development Area, except for Facilities operated under Franchise Agreements granted by Franchisor and the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or more of that class of securities.

ARTICLE VI
ASSIGNMENT

6.1 This Agreement is fully assignable by Franchisor and shall inure to the benefit of any assignee or other legal successor to the interests of Franchisor herein.

6.2 Area Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Area Developer and that Franchisor has granted this Agreement in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Area Developer's shareholders. Therefore, neither this Agreement (or any interest therein) nor any part or all of the ownership of Area Developer may be voluntarily, involuntarily, directly or indirectly,

assigned, sold, subdivided, subfranchised, or otherwise transferred by Area Developer or its owners (including, without limitation, by consolidation or merger, by issuance of securities representing an ownership interest in Area Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a limited partnership, by transfer of an interest in Area Developer, or in the event of death of Area Developer or an owner of Area Developer, by will, declaration of or transfer in trust or the laws of intestate succession), without the prior written approval of Franchisor, which approval may not be unreasonably withheld or delayed, and the payment of a transfer fee of Twenty-Five Thousand Dollars ($25,000). Any such assignment or transfer without such approval shall constitute a breach hereof and shall convey no rights to or interest in this Agreement to such assignee.

6.3 In the event Area Developer (or any of its owners) shall, subject to the restrictions and conditions of transfer contained in Section 6.2 of this Agreement, attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Area Developer or any affiliate of Area Developer, Area Developer, recognizing that the written information used with respect thereto may reflect upon Franchisor, agrees to submit any such written information to Franchisor prior to its inclusion in any registration statement, prospectus or similar Disclosure Document or memorandum and must obtain the written consent of Franchisor to the method of financing prior to any offering or sale of such securities. The written consent of Franchisor shall not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering. No information respecting Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by Franchisor in writing pursuant to the written request of the Area Developer, in which Franchisor, in its sole discretion, objects to any reference to Franchisor or any of its affiliates or to any of their licensees in such offering literature or prospectus, such literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever.

6.4 Area Developer and each of its owners must indemnify, defend and hold harmless Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expense (including, without limitation, reasonable attorneys' fees) incurred in the defense of such claims, demands or liabilities arising from the offering or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

6.5 **Franchisor's Right of First Refusal**. If the Area Developer shall at any time decide to sell the Facility or the ownership interest therein, the Area Developer shall obtain a bona fide, executed written offer to purchase the Facility, together with all real or personal property, leasehold improvements and other assets used by the Area Developer in connection with the Facility, from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor. Franchisor shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, but not the obligation, exercisable by written notice to the Area Developer, to purchase all of the Facility and the said assets of the Area Developer for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and there shall be deducted from the purchase price the amount of any commission or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with such sale. During said thirty (30) day period, Franchisor shall have the right to inspect all of Area Developer's books and records relating to the Facility's operation, specifically including all financial records and statements for the three (3) full fiscal years preceding the date on which the thirty (30) day right of first refusal commences, and if Area

Developer is a corporation, all corporate minute books and transfer records. If Franchisor does not exercise its right of first refusal, the Area Developer may complete the sale of the Facility to such purchaser on the same terms offered to Franchisor subject to the provisions of Section 6.2 hereof. If the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

ARTICLE VII
ENFORCEMENT

7.1 To the extent that Section 5.2 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but may be made enforceable by reductions of any or all thereof, Area Developer and Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

7.2 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Area Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by Franchisor, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such court order. Such modifications to this Agreement shall be effective only in such jurisdiction unless Franchisor elects to give them greater applicability and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

7.3 Franchisor and Area Developer may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires Franchisor's prior approval or consent, Area Developer shall make a timely written request therefor, and such approval shall be obtained in writing.

7.4 Franchisor makes no warranties or guarantees upon which Area Developer may rely, and assumes no liability or obligation to Area Developer by granting any waiver, approval, or consent to Area Developer, or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Area Developer of ten (10) days' prior written notice.

7.5 Franchisor and Area Developer shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to determine this Agreement prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of Franchisor or Area Developer to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure, or omission by Franchisor to

exercise any right, power, or option, whether of the same, similar or different nature, with respect to any Facility or any development or franchise agreements therefor; any grant of a Franchise Agreement to Area Developer; or the acceptance by Franchisor of any payment from Area Developer after any breach of this Agreement.

7.6 Neither Franchisor nor Area Developer shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof; (2) acts of God; (3) acts or omissions of the other party; (4) fires, strikes, embargoes, war, or riot; or (5) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

7.7 Nothing herein contained shall bar Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause it loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Area Developer agrees that Franchisor may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law.

7.8 The rights of Franchisor and Area Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Area Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Area Developer of any other right or remedy hereunder or which Franchisor or Area Developer is entitled by law or equity to enforce.

7.9 To the extent not inconsistent with applicable law, this Agreement and the offer or sale of this Agreement shall be governed by the substantive laws (and expressly excluding the choice of law) of the State of New Jersey.

7.10 Area Developer and Franchisor agree that any action arising out of or relating to this Agreement (including, without limitation, the offer and sale of this Agreement) shall be instituted and maintained only in a state or federal court of general jurisdiction in the State of New Jersey, and Area Developer irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

7.11 This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and shall not be modified except by written agreement signed by both Area Developer and Franchisor. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that Franchisor furnished to Area Developer.

7.12 The preambles and exhibit(s) are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Area Developer relating to the subject matter of this Agreement.

7.13 Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

7.14 The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

7.15 The term "Area Developer" as used herein is applicable to one (1) or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Area Developer hereunder, their obligations and liabilities to Franchisor shall be joint and several. References to "Area Developer" and "assignee" which are applicable to an individual or individuals shall mean the owner(s) of the equity or operating control of Area Developer or the assignee, if Area Developer or the assignee is a corporation or partnership.

7.16 This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

7.17 Time is of the essence of this Agreement.

7.18 This Agreement may not be modified in any way except in a writing signed by the parties hereto.

7.19 All references to a corporation or partnership shall be deemed to include a limited liability company, and all references to a shareholder shall be deemed to include a member of a limited liability company.

ARTICLE VIII
DISPUTE RESOLUTION

8.1 **Arbitration**. Except as otherwise provided in this section, any controversy or dispute arising out of or relating to the franchise or this Agreement including, but not limited to, any claim by Area Developer or any person in privity with or claiming through, on behalf of or in the right of Area Developer concerning the entry into, performance under or termination of this Agreement or any other agreement entered into by Franchisor, or its subsidiaries or affiliates, and Area Developer, any claim against a past or present employee, officer, director or agent of Franchisor, any claim of breach of this Agreement, and any claims arising under state or Federal laws shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Persons in privity with or claiming through, on behalf of or in the right of Area Developer include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in Hudson County, New Jersey. However, arbitration will not be used for any dispute which involves Area Developer's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against Area Developer or any issues related to disclosure or misuse of confidential information, all of which issues will be submitted to a court within the State of New Jersey. The parties expressly consent to personal jurisdiction in the State of New Jersey and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

8.1.1 Each party will select one (1) arbitrator and the two (2) so chosen will select a third, and failing selection of an arbitrator by either party or by the two chosen by the parties, the arbitrator(s) shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrators shall be divided equally between the parties. The arbitrators shall have no authority to amend or modify the terms of this Agreement. The prevailing party shall be entitled to actual costs and attorneys' fees incurred in any such arbitration. The award or decision

by a majority of the arbitrators shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

8.1.2 Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person other than Area Developer and any person in privity with or claiming through, in the right of or on behalf of Area Developer or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Area Developer or any person in privity with or claiming through, in the right of or on behalf of Area Developer or Franchisor.

8.1.3 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Area Developer and no other area developers. Area Developer agrees not to join or attempt to join other area developers, franchisees or licenses.

8.2 **Litigation, Waiver of Jury Trial; Limitation of Damages, etc**. Without in any way limiting or otherwise affecting the parties' obligations regarding arbitration, the parties agree that any litigation between Area Developer and Franchisor (and/or involving any principal of Area Developer or which could be brought by Area Developer or on its behalf and including matters involving any of Franchisor-related entities or otherwise), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise between or involving Area Developer and Franchisor which is not subject to the foregoing agreement regarding arbitration (or in the event that a court having jurisdiction should hold that the foregoing agreement regarding arbitration is not enforceable) or otherwise, will be held exclusively before a court in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction or (if a basis for Federal jurisdiction is present) the United States District Court for Hudson County, New Jersey, the parties consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY.

8.2.1 So as to achieve many of the advantages which would normally be associated with arbitration (such as lower expense, more rapid resolution of controversies, fewer protracted and complex proceedings, reduced instances of costly and time-consuming appeal, use of a more sophisticated and experienced trier of fact and law, etc.) and for the parties' mutual benefit, THE PARTIES AGREE THAT IN ANY LITIGATION BETWEEN FRANCHISOR AND AREA DEVELOPER (AND/OR ANY PRINCIPAL OF AREA DEVELOPER OR WHICH COULD BE BROUGHT BY AREA DEVELOPER OR ON AREA DEVELOPER'S BEHALF) THE PARTIES KNOWINGLY WAIVE ALL RIGHTS TO TRIAL BY JURY. IN ANY ARBITRATION, LITIGATION OR OTHERWISE, THE PARTIES WAIVE ALL RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE, PAIN-AND-SUFFERING, MENTAL DISTRESS OR SIMILAR DAMAGES AND AGREE THAT THE PARTIES MAY ONLY RECOVER ACTUAL FINANCIAL LOSSES.

8.3 **Prior Notice of Claims by Area Developer**. Prior to Area Developer taking any legal or other action against Franchisor, whether for arbitration, damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise, based on any alleged act or omission of Franchisor, Area Developer will first give Franchisor sixty (60) days' prior written notice and opportunity to cure such alleged act or omission.

8.4 **Periods In Which to Make Claims**.

8.4.1 The parties agree that, except as provided below, no arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Area Developer against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

8.4.2 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

8.4.3 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from terminating Area Developer's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

8.5 **Withholding Consent**. In no event will Area Developer make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by Franchisor. Area Developer's sole remedy for any such claim is to submit it to an executive meeting, mediation and arbitration as described in this Agreement and, if executive meeting and mediation fails to resolve such matter, for the arbitrator to order Franchisor to grant such consent.

8.6 **Survival and Construction**. Each provision of this Article VIII will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

8.7 **Costs and Attorneys' Fees**. Except as expressly provided otherwise in this Agreement with respect to appeal of an arbitration award, each party will each bear their respective costs of enforcement and/or defense (including but not limited to attorneys' fees) in any claim or dispute between

the parties (including Area Developer's and/or Franchisor's affiliates, related persons/entities, etc.) and will make no claim against the other with regard thereto.

8.8 **Validity and Execution**. This Agreement will become valid when executed and accepted by Franchisor at its headquarters.

8.9 **Binding Effect**. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both parties.

8.10 **Construction**. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly provides otherwise, Franchisor has the right to condition, withhold and/or refuse, in its sole and absolute discretion, any request by Area Developer and Franchisor's approval of, or consent to, any action or omission by Area Developer. The headings of the several articles and sections hereof are for convenience only and do not define, limit, or construe the contents of such articles or sections. The term "attorneys' fees" will include, without limitation, legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. References to a "controlling interest" in the Area Developer will mean more than fifty percent (50%) of the voting control of the Area Developer, if the Area Developer is a corporation, and any general partnership interest, if the Area Developer is a partnership. The term "Area Developer" as used herein is applicable to one (1) or more persons, a corporation or a partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time the Area Developer hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. This Agreement will be executed in multiple copies, each of which will be deemed an original. Each of the provisions of this Article VIII shall apply to any claim brought (or which could be brought) by any principal of Area Developer or by or on Area Developer's behalf.

8.11 **Choice of Laws**. Except as provided elsewhere in this Agreement (for example, with regard to the applicability of the Federal Arbitration Act, 9 U.S.C. §1 et seq. and the effect of federal preemption of state law by such Act) and except to the extent governed by the United States Trademark Act and other federal laws, the parties agree that this Agreement (including any claims, counter-claims or otherwise by you) and all other matters concerning the parties will be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey.

ARTICLE IX
INDEPENDENT CONTRACTORS/INDEMNIFICATION

Franchisor and Area Developer are independent contractors. Neither Franchisor nor Area Developer shall be obligated by or have any liability under any agreements, representations, or warranties made by the other that are not expressly authorized hereunder, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Area Developer's business conducted pursuant to this Agreement, whether or not caused by Area Developer's negligent or willful action or failure to act. Franchisor shall have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied upon Area Developer or its assets or upon Franchisor in connection with the business conducted by Area Developer, or any payments made by Area Developer to Franchisor pursuant to this Agreement or any Franchise Agreement. Area Developer agrees to indemnify Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees against and to reimburse them for all such obligations, damages, and taxes for which they are held liable and for all costs reasonably incurred by them in the defense of any such claim brought

against them or in any action in which they are named as a party, including, without limitation, reasonable attorneys' and expert witness fees, cost 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. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE X
NOTICES AND PAYMENTS

All notices and reports to Franchisor or Area Developer, if not personally served, shall be deemed so delivered one (1) business day after sending by telegraph or comparable electronic system or two (2) business days after deposit with Federal Express or a comparable overnight courier company or three (3) business days after being placed in the U.S. mail by Registered or Certified Mail, return receipt requested. All notices shall be sent postage prepaid and addressed to the respective party as follows, or as either party may from time to time designate in writing:

To Franchisor: Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, New Jersey 07030

To Area Developer: _____
_____
_____

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement in _____ counterparts on the day and year first above written.

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

AREA DEVELOPER

By:_____
Name:_____
Title:_____

EXHIBIT "A"

The Development Area referred to in Article I of the captioned agreement shall be:

_____

_____

_____

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

AREA DEVELOPER

By:_____
Name:_____
Title:_____

EXHIBIT "B"

SECTION I

The Development Fee referred to in Article III of the captioned agreement shall be _____ Thousand Dollars ($_____), which is calculated as one hundred percent (100%) of the initial franchise fee ($35,000) for the first Facility to be developed plus one hundred percent (100%) of the reduced initial franchise fee ($24,500) for each additional Facility to be developed. The Development Fee shall be paid by Area Developer to Franchisor upon execution of this Agreement. The Area Developer agrees that with respect to each Franchise Agreement executed by Area Developer pursuant to the captioned agreement for each Facility after the first one, Franchisor shall apply Twenty-Four Thousand Five Hundred Dollars ($24,500) of the Development Fee towards the initial franchise fee of each Franchise Agreement.

Notwithstanding anything to the contrary contained in the captioned agreement or in any Franchise Agreement, should Area Developer terminate this agreement for any reason, then the Development Fee, or the balance thereon, as the case may be, is non-refundable.

SECTION II

Area Developer agrees to have signed leases for the following cumulative number of Facilities at the end of each Development Period and to have each Facility open and operating within one (1) year from the date of execution of its respective lease:

Number of Facilities	**Last Day of Development Period**
_____	_____, 20__ (First Development Period)
_____	_____, 20__ (Second Development Period)
_____	_____, 20__ (Third Development Period)
_____	_____, 20__ (Fourth Development Period)
_____	_____, 20__ (Fifth Development Period)
_____	_____, 20__ (Sixth Development Period)

The first Development Period commences on the date of the captioned agreement and expires on the date shown; each subsequent Development Period commences on the date succeeding the last day on the preceding Development Period and expires on the date shown.

CLUB KO FRANCHISE LLC	AREA DEVELOPER
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND
AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

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

Payment of the Initial Franchise Fees and Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLC

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MARYLAND

The amendments to the Area Development Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Area Development Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. The appropriate section of the Area Development Agreement shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The appropriate section of the Area Development Agreement is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. The appropriate section of the Area Development Agreement is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The appropriate section of the Area Development Agreement is amended to state that based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLUB KO FRANCHISE LLE

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

ADDENDUM TO THE CLUB KO FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF 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 the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

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

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Because the Franchisor has material pre-opening obligations with respect to each Franchised Business the franchisee opens under the Area Development Agreement, the Division will require that the Area Development Fee be paid proportionally at the time each Franchised Business is opened for business.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

CLUB KO FRANCHISE LLC

_____
Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

_____

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AND AREA DEVELOPERS
(Updated as of December 31, 2021)

FRANCHISEES OPEN AND OPERATING:

California	
Asha Ross 4415 Redondo Beach Boulevard Lawndale, CA 90260 424-256-8224	Bonnie Danieli *Operating Virtually 619-448-4040
Allen Payano 23052 Lake Forest Drive Laguna Hills, CA 92653 949-614-5143	Nicole Tsugranes 2955 Cochran St. Suite A-1 Simi Valley, CA 93065 805-210-5880
Nancy Powell and Kit Lavell 7094 Miramar Rd. San Diego, CA 92121 858-695-8427	Amir Torkamani and Kimia Sadeghian 40385 Murrieta Hot Springs Road, Suite B-3 Murrieta, CA 92563 951-249-3758
Florida	
Beth Pensky 523 Ft. Harrison Avenue Clearwater, FL 33756 727-303-1347	Jimmy Yao and Christopher Marino 101 South Eola Dr. Orlando, Florida 32801 407-205-7763
Fernando Andrade 151 SW 7th St. Miami, FL 33130 786-228-7690	Olga Elisa Espinosa and Jonathan DeJesus Espinosa 6870 Dykes Road Southwest Ranches, FL 33331 954-636-1414
Anton Joseph Zitek and Shirley Thin Soe Zitek 2000 Harrison St., Suite 6 Hollywood, FL 33020 954-362-4459	
Michigan	
Shelby Reno 820 Monroe Ave., NW Grand Rapids, MI 49503 616-920-0335	
Nebraska	

Joshua Burton and Nick Burton 400 North 48th St., Suite C7 Lincoln, NE 68504 402-466-5425	Natalia Bryna Oviedo and Lornell D. McPherson 2615 S. 144th St. Omaha, NE 68144 402-330-7256
Nevada	
Christina Kao and Timothy Kao 5752 S. Fort Apache Road, Number 130 Las Vegas, NV 89148 702-970-9287	
New Hampshire	
Angela Pickowicz 505 Province Rd Laconia, NH 03246 603.527.8233	LouAnn Gentiluomo and Brian Gentiluomo 4 Orchard View Drive Londonderry, NH 03053 603-965-3067
New Jersey	
Fara McNeill 47 W Allendale Ave. Allendale, NJ 07401 201-236-1000	Joe DiMare and Charlie Torres 744 Broadway Bayonne, NJ 07002 201 430-5256
Bryan Caballero 55 Mill St. Unit 1 Newton, NJ 07860 973-970-3043	Michael Napolitano, Roy LaBue and Oluwaseyi Charles Osinowo 301 Central Ave. Clark, NJ 07066 908-514-4096
Tabitha Decker 342 Main St. Ogdensburg, NJ 07349 973-823-0399	Dimitri Joseph and Joel WuWu 650 Shunpike Road Chatham, NJ 07928 973-966-0066
Per Nylen, Cheryl Nylen, and Maria Nylen 1132 Route 46 West Clifton, NJ 07013 973 507-9106	Kelly Orlandini and Stephanie Ventura 647G Route 18 East Brunswick, NJ 08816 732-945-5425
Janine Perez and Gabe Perez 1558 North King Highway Ellisburg Circle/Whole Foods Shop. Ctr. Cherry Hill, NJ 08034 856-535-1888	Michael Napolitano, Roy LaBue, and Charles Osinowo Oluwaseyi 1009 St. Georges Ave. Colonia, NJ 07067 732-204-6450
John Conevery 621 Route 130 North Hamilton, NJ 08691 609-818-2872	Michael Napolitano, Roy LaBue and Oluwaseyi Charles Osinowo 518 Old Post Road Edison, NJ 08817 732-707-1256

Frances Allen 500 Kinderkarmack Rd. Emerson, NJ 07630 201-261-4012	Alyssa Rose Bartlett and Thomas Oliver Hager 1906 NJ 35 Wall Township, NJ 07719 732-275-8222
Michael Sclafani CKO Monmouth LLC 610 Park Ave./Route 33 Freehold, NJ 07728 908-415-5622	Christine Gomes and Jacqueline Gomes 499 Main Street Lodi, NJ 07644 973-777-7761
Joseph DiMare 150 Bay Street Jersey City, NJ 07302 201-430-3762	Tara and James Connell 1933 Springfield Ave. Maplewood, NJ 07040 973-996-8779
Tanya Serrano and Ahbiah Hatcher Johnson 169 Halsey St. Newark, NJ 07012 973-877-7877	John Colao 1700 Route 35 Middletown, NJ 07748 732-671-4256
Oluseye Osinowo 711 E. First Ave. Roselle, NJ 07024 908-620-6117	Matt Perrella and Melissa Gentile 2182 US 130 North Brunswick, NJ 08902 732-301-4256
Jose Sanchez and Cory LeClair 2080 W County Line Rd. Jackson, NJ 08527 732-701-7256	M. Sclafani and P. DiCataldo 1770 Hooper Ave. Toms River, NJ 08753 732-333-0891
William Bonamo, Michael Campione & Michael Di Masi 1075 Easton Ave., Suite 7 Somerset, NJ 08873 732-227-1256	Luis Parades 4914 John Fitzgerald Kennedy Boulevard West New York, NJ 07093 201-546-1010
New York	
Kelly Chiusano, Adriana DiDino, Kristine Simoneschi 562 Court Street Brooklyn, NY 11231 718-222-1822	Matt Acquista, Ben Bongiorno, and T. Saleh 2615 E. 17th Street Brooklyn, NY 11235 347-587-5715
Ben Bongiorno and Matt Acquista 9106 4th Avenue Brooklyn, New York 11209 347-497-4272	Sabrina Scavone 20 Ronald Reagan Boulevard Warwick, NY 10990 845-544-2561

Kelly Chiusano, Adriana DiDino, Kristine Simoneschi 333 Scherhorn St. Brooklyn, NY 11217 718-858-8500	Dina Esposito and Tomas Athanasios 7425 Grand Ave. Maspeth, NY 11373 917-745-1448
Aditya Shringapure and Radhika Bhandarkar 525 Myrtle Ave. Brooklyn, NY 11205 718-306-9433	John Miceli and Anthony Miceli 1267 Forest Avenue Staten Island, NY 10302 718-815-5425
Inaldo Chavarria 815 Hutchinson Parkway Bronx, NY 10465 929-259-9482	William Bonamo and James Cardello 236 Richmond Valley Road Staten Island, NY 10309 718-984-5269
Antonio Senecal and Tracey Shea 48 Maple Street Croton-on-Hudson, NY 10520 914-930-1919	Nick Orlando 4255 Amboy Road Staten Island, NY 10308 718-984-5425
	Jennifer Settino 893 Hempstead Turnpike Franklin Square, NY 11010 516-884-8757
Pennsylvania	
Janine Perez and Gabriel Perez 1616 Walnut Street, Suite B2 Philadelphia, PA 19103 215-732-1000	Justin Lucci and Nicole Smith 1617 Big Oak Road Yardley, PA 19067 215-321-3355
Abby DiPietro 2053 W Oregon Ave. Philadelphia, PA 19145 267-519-8625	
South Carolina	
Tamarin Vuotto 2030 Oakheart Rd. Myrtle Beach, SC 29579 843-796-3274	
Texas	
Lyndon Wang and Holly Elizabeth Wang 1940 W. League City Parkway, Suite 240 League City, Texas 77573 281-724-4422	Michelle Lee Quintana 1700 US 281N, Suite 500 San Antonio, Texas 78232 210-402-1285

INTERNATIONAL FRANCHISEES:

Canada	
Tina Teeter and Michael Camphausen 104-3299 Lake Shore Blvd. W. Etobicoke, ON M8W 1M8 416-855-2256	

FRANCHISEES SIGNED, but Not Opened as of December 31, 2021

Connecticut	
Lynette de Graaf LDD Fitness Ventures LLC TBD Stamford, CT	
Florida	
Nancy Anderson Lee County, FL TBD	Haydee Pabon Miami, FL 33131 786-286-6615 TBD
Arturo Munoz and Rodney Jean-Simon Miami, Florida 33132 973-609-2164 and 305-906-1625 TBD	Alexandra Bozo-Cabrera, Alfredo Bozo, and Tatiana Cabrera River Landing, Miami, FL
New York	
Wendy Staloff Long Island City, NY TBD	Michael Hania and Stephanie Hania TBD – County of Queens New York
South Carolina	
Mausami Desai and Shila Desai Greer, SC 29650 864-552-0217 TBD	
New Jersey	
Ricardo Silva Ribeiro 1100 F.E. Rodger Boulevard Harrison, NJ TBD	Oluseye Osinowo Bloomingdale, NJ TBD
Texas	
Brian Holbrook Dallas, TX	

AREA DEVELOPERS:

California	
Amir Torkamani and Kimia Sadeghian Murrieta, CA	
Nevada	
Christina and Timothy Kao Last Vegas, Nevada TBD	
New Jersey	
Andrew Cameron TBD Princeton, NJ	
New York	
John Miceli and Anthony Miceli EAJ Partners Inc. Staten Island, NY	

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM
(Updated as of December 31, 2021)

New Jersey	
Steven Cortopassi Location: Wayne, NJ Closed in 2021	Athena Petroulia Location: Roxbury, NJ Closed in 2021
Jose and Marlene Da Silva Location: Springfield, NJ Closed in 2021	Randy McNeill Location: Flemington, NJ Closed in 2021
Christopher Nalducci Location: Matawan, NJ Closed in 2021	
New York	
Frank DiMichele and Donald Cetta Location: Mamaroneck, NY Closed in 2021	Nick Vurchio Location: Yonkers, NY Closed in 2021
Pennsylvania	
Elyse Smith Location: King of Prussia Closed in 2021	
Texas	
Javier R. Martinez Location: San Antonio, Texas Sold to New Buyers in 2021	Jamil Jesus Kantara Location: League City, Texas Sold to New Buyers in 2021

Area Developers:

None

EXHIBIT G TO THE DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF OPERATIONS MANUAL

Franchise Operations Manual **Section A – Introduction**

Table of Contents

Welcome Letter from the Management Team……...1

History of CKO Kickboxing…….2

Services Provided to CKO Kickboxing Franchisee……3

Ongoing Training and Support……4

Ongoing Research and Development……...5

Responsibilities of the CKO Kickboxing Franchisee and Staff…….6

Responsibilities to Your Employees……7

Responsibilities to the Franchisor……8

Visits from the Corporate Office……..9

Paying Other Fees…….10

Transfer Fee and Advertising Fees…….11

Audit……..12

Attorney's Fees and Late Payments……13

Franchise Operations Manual **Section B – Pre-Opening Procedures**

Table of Contents

Pre-Opening Checklist…….1 – 2

Establishment of Business Form and Operation……3

Liability for Debts of Business Activity……..4

Federal Income Taxation of Business Profits……5 – 6

Social Security, Medicare, and Retirement Plans……7-8

Securing a Location…….9

Site Approval……..10

Lease Considerations…….11 – 12

Building Out Your Site……..13

Selecting a Contractor……14

Setting Up Your Office and Gym Area…….15 – 16

Required List of Equipment……..17 – 18

Signage and Logo Specifications……..19 – 20

Contracting with Required Utilities and Services……...21

Obtaining Required Licenses and Permits……..22

Setting Up Bank Accounts and Insurance Policies…….23 – 24

Meeting Your Tax Obligations…….25 – 26

Conducting a Grand Opening……..27 – 30

Transferring Membership……31-32

Franchise Operations Manual **Section C – Personnel**

Table of Contents

EEOC Guidelines……1

Record Keeping and Recording Requirements……2

Filing Process……..3

Remedies and Technical Assistance……4

Laws Regarding Harassment……5

Pregnancy Discrimination and Religious Accommodation.6

Guidelines for Handling Harassment Situations……7

Wages and Labor Laws…….8

Current FLSA Standards…….9

FLSA Minimum Wage Poster…….10

Profile of the Ideal CKO Kickboxing Employee……11 – 13

Hiring Tips, Prescreening and Screening Procedures…..14 – 16

Reference Check Procedures……17

The Interview Process……18

EEOC Pre-Employment Inquiry Guidelines……..19 – 20

Do's and Don'ts of Interview…….21 – 25

Job Offer and Descriptions……26 - 29

Training Employees and Required Forms……30 – 32

Personnel Policies……33 – 36

Franchise Operations Manual **Section D – Sales Procedures**

Table of Contents

Make a Difference ……..1

Proper Handling of Incoming Calls and E-Mails ……2

Sample E-Mail…….. ……...3

Phone Calls…….4-8

Frequently Asked Questions……9

The CKO Kickboxing Sales Presentation ……10

Assessment Needs…….11

Features, Advantages, and Benefits of CKO Kickboxing…….12

The Seven Stages of a Successful Presentation ……13-17

Pricing of CKO Kickboxing Services ……18-19

Communicating Pricing……20

Handling Objections…….21

Completing the CKO Kickboxing Contract Properly ……22

Prospect Management…….23-24

Generating Prospect Management Reports……..25

Franchise Operations Manual **Section E – Office Procedures**

Table of Contents

Opening Procedures…….1

Closing Procedures…….. 2

Customer Service Procedures……. 3

Customer Service Philosophy……..4

Guidelines for Guest Service……5 - 6

Setting Up New Members…….7

The CKO Kickboxing Contract and Terms……..8

Inputting Contracts into POS System……9

Inventory Management……..10

Billing Procedures……...11

Accepting Payment…….12

Collection Procedures…….13

Required Notifications……14

Sample Past-Due Notification Letters……..15 - 16

Generating Necessary Reports…….17

Franchise Reporting Requirements – Royalty Fee and Advertising…18

Financial Statements…….19 - 22

Required Equipment Maintenance……..23

Security Issues……24 – 27

Franchise Operations Manual **Section F – The Class**

Table of Contents

Overview of the Ten-Week Program …….1

Manager's and Coach's Responsibilities…..……..……2-5

Instructor's Orientation Guidelines …….6

Orientation Guidelines …….7

Key Factors of an Orientation……..8

The Demonstration……9

Orientation Forms…….10

Proper Work Out Procedures……. 11

Proper Punching and Kicking Techniques…….12-20

The Class ……..21

Safety Issues …….22

Incident Reports ……..23

Workers' Compensation …….……24

Table of Contents

The Art of Searching and Finding Potential Members ……..1-3

Marketing Plan ……4

Guerilla Marketing ……..5

Promoting CKO Kickboxing in Your Area……6

The Internet and Direct Mail……..7

Print……8

Billboard and Tent Cards/Lead Boxes……9

Promotional Flyers……..10

Posters, Bulletin Boards, and Newsletters…….11

Word of Mouth…….12

Guidelines for Use of CKO Kickboxing Marks…….13

Referrals…….14

Prospecting Goals…….15

Required Advertising Expenditures……16

Public Relations/Community Involvement…….17

Obtaining Advertising Approval…….18

Total pages: 175

EXHIBIT H TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

CLUB KO FRANCHISE LLC

Financial Statements
December 31, 2021 and 2020

CLUB KO FRANCHISE LLC

Table of Contents *December 31, 2021 and 2020*

PAGE

INDEPENDENT AUDITORS' REPORT 1-2

FINANCIAL STATEMENTS

Balance Sheets 3
Statements of Income 4
Statements of Changes in Members' Equity (Deficiency) 5
Statements of Cash Flows 6

NOTES TO FINANCIAL STATEMENTS 7-10

RAICH ENDE MALTER & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

175 Broadhollow Road
Suite 250
Melville, New York 11747
516.228.9000
516.228.9122 (fax)
cpa@rem-co.com

Offices in New York City, Long Island & New Jersey

INDEPENDENT AUDITORS' REPORT

To the Members
Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, NJ 07030

Opinion

We have audited the accompanying financial statements of Club KO Franchise LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Club KO Franchise LLC as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain control related matters that we identified during the audit.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP
Melville, New York
April 8, 2022

CLUB KO FRANCHISE LLC

Balance Sheets

	December 31, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash	**$ 312,003**	$ 228,192
Accounts receivable - net of allowance for doubtful accounts of $20,000 and $31,449 for 2021 and 2020, respectively	**66,446**	89,459
Prepaid expenses and other current assets	**13,961**	9,846
Deferred franchise costs - current	**38,911**	50,957
	431,321	378,454
Property and Equipment - net	**4,033**	8,813
Other Assets		
Deferred franchise costs - net of current portion	**214,559**	272,640
Other	**1,925**	1,925
	216,484	274,565
	$ 651,838	$ 661,832
LIABILITIES AND MEMBERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued expenses	**$ 2,451**	$ 22,706
Deferred franchise revenue - current	**71,981**	90,230
Related party payable	**98,000**	185,000
	172,432	297,936
Other Liabilities		
Deferred franchise revenue - net of current portion	**444,108**	472,808
Members' Equity (Deficiency)	**35,298**	(108,912)
	$ 651,838	$ 661,832

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Income

	For the Years Ended December 31,	
	2021	***2020***
Revenue		
Royalty fees	**$ 933,080**	$ 695,168
Franchise and area development fees	**136,949**	228,359
Transfer fees	**5,000**	-
Other	**5,852**	2,649
	1,080,881	926,176
Cost of Revenues		
Commissions	**75,127**	135,008
Franchise training - net	**2,000**	13,000
Other	**75**	210
	77,202	148,218
General and Administrative Expenses		
Management fees	**670,000**	509,000
Marketing and advertising	**38,467**	58,105
Consulting	**11,395**	53,323
Professional	**50,586**	59,011
Travel and entertainment	**179**	2,040
Insurance	**31,028**	22,194
Bank charges	**2,712**	4,141
Licenses and fees	**1,320**	1,700
Supplies	**4,202**	2,843
Depreciation and amortization	**4,780**	13,075
Bad debts	**39,550**	32,733
Other	**2,166**	1,635
	856,385	759,800
Income Before Income Taxes	**147,294**	18,158
Income Taxes	**3,084**	2,409
Net Income	**$ 144,210**	$ 15,749

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Changes in Members' Equity (Deficiency)

For the Years Ended December 31, 2021 and 2020

Balance - January 1, 2020	$ (106,432)
Net income	15,749
Distributions to members	(18,229)
Balance - December 31, 2020	(108,912)
Net income	144,210
Balance - December 31, 2021	$ 35,298

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Cash Flows

	For the Years Ended December 31,	
	2021	***2020***
Cash Flows from Operating Activities		
Net income	**$ 144,210**	$ 15,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debts	**39,550**	32,733
Depreciation and amortization	**4,780**	13,075
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(16,537)**	(1,399)
Prepaid expenses and other current assets	**(4,115)**	2,663
Deferred franchise costs	**70,127**	110,008
Increase (decrease) in:		
Accounts payable and accrued expenses	**(20,255)**	6,771
Deferred franchise revenue	**(46,949)**	(168,359)
Related party payable	**(87,000)**	185,000
	83,811	196,241
Cash Flows from Financing Activities		
Distributions to members	**-**	(18,229)
Net Increase in Cash	**83,811**	178,012
Cash - beginning	**228,192**	50,180
Cash - end	**$ 312,003**	$ 228,192
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Income taxes	**$ 1,167**	$ 2,409

See notes to financial statements.

1 - Organization

Club KO Franchise LLC ("the Company") is in the business of selling franchise rights for facilities offering kickboxing classes primarily in the United States and other regions of North America.

In 2021, the Company granted two new franchises; six opened during 2021; nine franchises closed. At December 31, 2021, there were 63 franchisees. In 2020, the Company granted two franchises; nineteen franchises closed. At December 31, 2020, there were 66 franchisees.

2 - Summary of Significant Accounting Policies

a. ***Basis of Accounting*** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

b. ***Cash Equivalents*** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.

c. ***Revenue Recognition*** - Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

   Training has been identified as a distinct performance obligation and is therefore recognized currently and offset with training expenses.

   Franchise and Area Development Fees - Franchise fees which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 after reduction for training revenue, over the life of the franchise agreement, typically ten years, as deferred. Related franchise sales costs are deferred and amortized as they relate to the deferred revenue.

   Royalty Fees - The Company recognizes royalty fee income monthly as 7% of gross franchise revenues, as defined.

   Transfer Fees - The Company recognizes transfer fee income when the new franchise agreement is signed and control transfers.

d. ***Accounts Receivable*** - Accounts receivable, arising principally from royalties, are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The

allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due amounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience.

e. ***Trademarks*** - The Company created the trademark in 2008. The trademark, which is carried at cost and included in *"other assets"* on the balance sheet, is considered an indefinite-lived intangible asset and, therefore, is not amortized. The provisions of ASC 350-30 "Accounting for Goodwill and Other Intangible Assets" requires the trademarks to be tested for impairment. Management has determined no impairment was necessary as of December 31, 2021 and 2020. Costs incurred to renew or extend the term of trademarks are expensed as incurred.

f. ***Estimates*** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

g. ***Income Taxes*** - The Company, which has been classified as a partnership for federal income tax purposes, is not subject to federal and certain state income taxes and, accordingly, makes no provision for federal income tax in its financial statements, but is subject to certain state and local taxes. The Company's taxable income or loss is reportable by its members.

The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position.

The Company files federal, and various state and local tax returns.

The Company did not have material unrecognized tax benefits as of December 31, 2021, and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of other expense.

h. ***Property and Equipment*** - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets, 5-7 years, using the straight-line method. Upon disposition of the assets, the related cost and accumulated depreciation are eliminated, and any gain or loss is included in operations. Expenditures for major improvements are capitalized. Maintenance and repairs are expensed.

i. ***Marketing and Advertising*** - Marketing and advertising costs are expensed as incurred. The Franchise Sales Agreement grants the franchisor the right to charge the franchisees a marketing fee equal to 1% of gross revenues each month. Management elected to suspend the marketing fee for the years ended December 31, 2021 and 2020, but plans to institute it in the future after developing a national marketing campaign. Advertising and marketing expense for the years ended December 31, 2021 and 2020 was approximately $38,000 and $58,000, respectively.

i. ***Reclassifications*** - Certain amounts for 2020 have been reclassified to conform with the current year's presentation. Such reclassifications had no impact on previously reported net income.

3 - Property and Equipment

Property and equipment consists of the following:

	December 31, 2021	December 31, 2020
Training equipment	**$ 63,895**	$ 63,895
Computer equipment	**9,599**	9,599
Office equipment	**2,750**	2,750
	76,244	76,244
Less: Accumulated depreciation	**72,211**	67,431
	$ 4,033	$ 8,813

Depreciation expense for the years ended December 31, 2021 and 2020 was $4,780 and $13,075, respectively.

4 - Related Parties

Club KO Management Inc. provides management services to Club KO Franchise LLC. These entities share common ownership. The management fee calculation is based on a percentage of total payroll expenses for the managing member and other staff members using the amount of time and effort dedicated to franchise activities. Another component of the management fee calculation is an allocation of shared occupancy costs based on a percentage of space dedicated to franchise activities. The total management fee expense for the years ended December 31, 2021 and 2020 amounted to $670,000 and $509,000, respectively. At December 31, 2021 and 2020, the Company had a payable to related parties of $98,000 and $185,000, respectively. No interest is charged on this payable and there are no specific repayment terms.

5 - Commitments and Contingencies

Consulting / Marketing Agreements

The Company entered into a consulting agreement in 2014 with the current COO of the Company, who receives a monthly retainer and a percentage of gross revenues from any franchise location for which he initiated the sale. This agreement was terminated in April 2020. In the year ended December 31, 2020, consulting expense incurred in connection with this agreement amounted to approximately $43,000.

Litigation

In the normal course of business, the Company is involved in various legal matters. Management, after discussion with counsel, does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the Company's financial position or results of its operations.

Covid-19

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. Certain states mandated gym closures for various periods throughout the year. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

6 - Concentrations

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company places its cash balances with high quality credit institutions. Cash in banks is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. At December 31, 2021, the cash balances exceeded FDIC insurance limits by approximately $70,000. The Company routinely assesses the financial strength of its franchisees and, as a consequence, believes that its trade accounts credit risk exposure is limited.

7 - Subsequent Events

The Company's management has evaluated subsequent events through April 8, 2022, the date the financial statements were available to be issued.

Club KO Franchise LLC

Financial Statements
December 31, 2020 and 2019

CLUB KO FRANCHISE LLC

Table of Contents *December 31, 2020 and 2019*

PAGE

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

Balance Sheets 2
Statements of Income 3
Statements of Changes in Members' (Deficiency) 4
Statements of Cash Flows 5

NOTES TO FINANCIAL STATEMENTS 6-9

RAICH ENDE MALTER & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

175 Broadhollow Road
Suite 250
Melville, New York 11747
516.228.9000
516.228.9122 (fax)
cpa@rem-co.com

Offices in New York City, Long Island & New Jersey

INDEPENDENT AUDITORS' REPORT

To the Members
Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, NJ 07030

We have audited the accompanying financial statements of Club KO Franchise LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, changes in members' (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Club KO Franchise LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP
Melville, New York
April 19, 2021

CLUB KO FRANCHISE LLC

Balance Sheets

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	**$ 228,192**	$ 50,180
Accounts receivable - net of allowance for doubtful accounts of $31,449 and $11,449 for 2020 and 2019, respectively	**89,459**	120,793
Prepaid expenses and other current assets	**9,846**	12,509
Deferred franchise costs - current	**50,957**	72,600
	378,454	256,082
Property and Equipment - net	**8,813**	21,888
Other Assets		
Deferred franchise costs - net of current portion	**272,640**	361,005
Other	**1,925**	1,925
	274,565	362,930
	$ 661,832	$ 640,900
LIABILITIES AND MEMBERS' (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued expenses	**$ 22,706**	$ 15,935
Deferred franchise revenue - current	**90,230**	128,325
Related party payable	**185,000**	-
	297,936	144,260
Other Liabilities		
Deferred franchise revenue - net of current portion	**472,808**	603,072
Members' (Deficiency)	**(108,912)**	(106,432)
	$ 661,832	$ 640,900

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Income

	For the Years Ended December 31,	
	2020	***2019***
Revenue		
Royalty fees	**$ 695,168**	1,491,885
Franchise and area development fees	**228,359**	125,880
Other	**2,649**	6,072
	926,176	1,623,837
Cost of Revenues		
Commissions	**135,008**	71,473
Franchise training - net	**13,000**	24,012
Travel	**-**	2,201
Other	**210**	3,883
	148,218	101,569
General and Administrative Expenses		
Management fees	**509,000**	1,043,000
Marketing and advertising	**58,105**	127,462
Consulting	**53,323**	205,148
Professional	**59,011**	29,363
Travel and entertainment	**2,040**	15,398
Insurance	**22,194**	25,067
Bank charges	**4,141**	4,168
Licenses and fees	**1,700**	2,598
Supplies	**2,843**	5,585
Depreciation and amortization	**13,075**	44,814
Bad debts	**32,733**	**-**
Other	**1,635**	1,881
	759,800	1,504,484
Income Before Income Taxes	**18,158**	17,784
Income Taxes	**2,409**	3,304
Net Income	**$ 15,749**	$ 14,480

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Changes in Members' (Deficiency)

For the Years Ended December 31, 2020 and 2019

Balance - January 1, 2019	$ (89,663)
Net income	14,480
Distributions to members	(31,249)
Balance - December 31, 2019	(106,432)
Net income	15,749
Distributions to members	(18,229)
Balance - December 31, 2020	$ (108,912)

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statements of Cash Flows

	For the Years Ended December 31,	
	2020	***2019***
Cash Flows from Operating Activities		
Net income	**$ 15,749**	$ 14,480
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debts	**32,733**	-
Depreciation and amortization	**13,075**	44,814
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(1,399)**	(12,701)
Prepaid expenses and other current assets	**2,663**	5,520
Deferred franchise costs	**110,008**	3,973
Increase (decrease) in:		
Accounts payable and accrued expenses	**6,771**	(25,186)
Deferred franchise revenue	**(168,359)**	(41,681)
Related party payable	**185,000**	-
	196,241	(10,781)
Cash Flows from Investing Activities		
Purchase of property and equipment	**-**	(3,969)
Cash Flows from Financing Activities		
Distributions to members	**(18,229)**	(31,249)
Net Increase (Decrease) in Cash	**178,012**	(45,999)
Cash - beginning	**50,180**	96,179
Cash - end	**$ 228,192**	$ 50,180
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Income taxes	**$ 2,409**	$ 3,304

See notes to financial statements.

1 - Organization

Club KO Franchise LLC ("the Company") is in the business of selling franchise rights for facilities offering kickboxing classes primarily in the United States and other regions of North America.

In 2020, the Company granted two new franchises; neither of which opened during 2020; nineteen franchises closed. At December 31, 2020, there were 66 franchisees. In 2019, the Company granted five franchises; four franchises opened; four franchises closed and one was re-acquired by the Company. At December 31, 2019, there were 85 franchisees.

2 - Summary of Significant Accounting Policies

a. ***Cash Equivalents*** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.

b. ***Revenue Recognition***

The Company adopted Accounting Standards Codification ("ASC") 606 - Revenue from Contracts with Customers ("ASC 606") as of January 1, 2019 using the full retrospective method.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Training has been identified as a distinct performance obligation and is therefore recognized currently and offset with training expenses.

Franchise and Area Development Fees - Franchise fees which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 after reduction for training revenue, over the life of the franchise agreement, typically ten years, as deferred. Related franchise sales costs are deferred and amortized as they relate to the deferred revenue.

Royalty Fees - The Company recognizes royalty fee income monthly as 7% of gross franchise revenues, as defined.

c. ***Accounts Receivable*** - Accounts receivable, arising principally from royalties, are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The

allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due amounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience.

d. ***Trademarks*** - The Company created the trademark in 2008. The trademark, which is carried at cost and included in *"other"* on the balance sheet, is considered an indefinite-lived intangible asset and, therefore, is not amortized. The provisions of ASC 350-30 "Accounting for Goodwill and Other Intangible Assets" requires the trademarks to be tested for impairment. Management has determined no impairment was necessary as of December 31, 2020 and 2019. Costs incurred to renew or extend the term of trademarks are expensed as incurred.

e. ***Estimates*** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

f. ***Income Taxes*** - The Company, which has been classified as a partnership for federal income tax purposes, is not subject to federal and certain state income taxes and, accordingly, makes no provision for federal income tax in its financial statements. The Company's taxable income or loss is reportable by its members.

The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position.

The Company files federal, and various state and local tax returns.

The Company did not have material unrecognized tax benefits as of December 31, 2020, and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of other expense.

g. ***Property and Equipment*** - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets, 5-7 years, using the straight-line method. Upon disposition of the assets, the related cost and accumulated depreciation are eliminated, and any gain or loss is included in operations. Expenditures for major improvements are capitalized. Maintenance and repairs are expensed.

h. ***Marketing and Advertising*** - Marketing and advertising costs are expensed as incurred. The Franchise Sales Agreement grants the franchisor the right to charge the franchisees a marketing fee equal to 1% of gross revenues each month. Management elected to suspend the marketing fee for the years ended December 31, 2020 and 2019, but plans to institute it in the future after developing a national marketing campaign. Advertising and marketing expense for the years ended December 31, 2020 and 2019 was approximately $58,000 and $127,000, respectively.

i. ***Reclassifications*** - Certain amounts for 2019 have been reclassified to conform with the current year's presentation. Such reclassifications had no impact on previously reported net income.

3 - Property and Equipment

Property and equipment consists of the following:

	December 31, 2020	December 31, 2019
Training equipment	**$ 63,895**	$ 63,895
Computer equipment	**9,599**	9,599
Office equipment	**2,750**	2,750
	76,244	76,244
Less: Accumulated depreciation	**67,431**	54,356
	$ 8,813	$ 21,888

Depreciation expense for the years ended December 31, 2020 and 2019 was $13,075 and $14,699, respectively.

4 - Related Parties

Club KO Management Inc. provides management services to Club KO Franchise LLC. These entities share common ownership. The management fee calculation is based on a percentage of total payroll expenses for the managing member and other staff members using the amount of time and effort dedicated to franchise activities. Another component of the management fee calculation is an allocation of shared occupancy costs based on a percentage of space dedicated to franchise activities. The total management fee expense for the years ended December 31, 2020 and 2019 amounted to $509,000 and $1,043,000, respectively. At December 31, 2020, the Company had a payable to related parties of $185,000.

5 - Commitments and Contingencies

Consulting / Marketing Agreements

The Company entered into a consulting agreement in 2014 with the current COO of the Company, who receives a monthly retainer and a percentage of gross revenues from any franchise location for which he initiated the sale. In the years ended December 31, 2020 and 2019, consulting expense incurred in connection with this agreement amounted to approximately $43,000 and $195,000, respectively. This agreement was terminated in April 2020.

Litigation

In the normal course of business, the Company is involved in various legal matters. Management, after discussion with counsel, does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the Company's financial position or results of its operations.

Covid-19

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. Certain states mandated gym closures for various periods throughout the year. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

6 - Concentrations

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company places its cash balances with high quality credit institutions. Cash in banks is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. At times, balances may be in excess of the FDIC insurance limit. The Company routinely assesses the financial strength of its franchisees and, as a consequence, believes that its trade accounts credit risk exposure is limited.

7 - Subsequent Events

The Company's management has evaluated subsequent events through April 19, 2021, the date the financial statements were available to be issued.

Club KO Franchise LLC

Financial Statements
December 31, 2019

CLUB KO FRANCHISE LLC

Table of Contents
December 31, 2019

PAGE

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

Balance Sheet 2
Statement of Income 3
Statement of Changes in Members' Equity (Deficiency) 4
Statement of Cash Flows 5

NOTES TO FINANCIAL STATEMENTS 6-9

RAICH ENDE MALTER & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

175 Broadhollow Road
Suite 250
Melville, New York 11747
516.228.9000
516.228.9122 (fax)
cpa@rem-co.com

Offices in New York City, Long Island & New Jersey

INDEPENDENT AUDITORS' REPORT

To the Members
Club KO Franchise LLC
900 Madison Street, Suite 2
Hoboken, NJ 07030

We have audited the accompanying financial statements of Club KO Franchise LLC, which comprise the balance sheet as of December 31, 2019, and the related statements of income, changes in members' equity (deficiency), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Change in Accounting Principle

As described in Notes 2b and 3 to the financial statements, the Company adopted Accounting Standards Codification 606 - Revenue from Contracts with Customers as of January 1, 2019. Our opinion is not modified with respect to that matter.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP
Melville, New York
April 30, 2020

CLUB KO FRANCHISE LLC

Balance Sheet
December 31, 2019

ASSETS	
Current Assets	
Cash	$ 50,180
Accounts receivable - net of allowance for doubtful accounts of $11,449	120,793
Prepaid expenses and other current assets	12,509
Deferred franchise costs - current	72,600
	256,082
Property and Equipment - net	21,888
Other Assets	
Other	1,925
Deferred franchise costs - net of current portion	361,005
	362,930
	$ 640,900
LIABILITIES AND MEMBERS' (DEFICIENCY)	
Current Liabilities	
Accounts payable and accrued expenses	$ 15,935
Deferred franchise revenue - current	128,325
	144,260
Current Liabilities	
Deferred franchise revenue - net of current portion	603,072
Members' (Deficiency)	(106,432)
	$ 640,900

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statement of Income
For the Year Ended December 31, 2019

Revenue	
Royalty fees	$ 1,491,885
Franchise and area development fees	125,880
Other	6,072
	1,623,837
Cost of Revenues	
Commissions	71,473
Franchise training - net	24,012
Travel	2,201
Other	3,883
	101,569
General and Administrative Expenses	
Management fees	1,043,000
Marketing and advertising	127,462
Consulting	205,148
Professional	29,363
Travel and entertainment	15,398
Insurance	25,067
Bank charges	4,168
Licenses and fees	2,598
Supplies	5,585
Other	1,881
Depreciation and amortization	44,814
	1,504,484
Income Before Income Taxes	17,784
Income Taxes	3,304
Net Income	$ 14,480

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statement of Changes in Members' Equity (Deficiency)
For the Year Ended December 31, 2019

Balance - January 1, 2019 - previously stated	$ 68,837
Cumulative effect of adjustments due to adoption of new revenue standard	(158,500)
Balance - January 1, 2019 - restated	(89,663)
Net income	14,480
Distributions to members	(31,249)
Balance - December 31, 2019	$ (106,432)

See notes to financial statements.

CLUB KO FRANCHISE LLC

Statement of Cash Flows

For the Year Ended December 31, 2019

Cash Flows from Operating Activities	
Net income	$ 14,480
Adjustments to reconcile net income to net cash	
(used in) operating activities:	
Depreciation and amortization	44,814
Prior period adjustment	(158,500)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(12,701)
Prepaid expenses and other current assets	5,520
Deferred franchise costs	(433,605)
Increase (decrease) in:	
Accounts payable and accrued expenses	(25,186)
Deferred franchise revenue	554,397
	(10,781)
Cash Flows from Investing Activities	
Purchase of property and equipment	(3,969)
Cash Flows from Financing Activities	
Distributions to members	(31,249)
Net (Decrease) in Cash	(45,999)
Cash - beginning	96,179
Cash - end	$ 50,180
Supplemental Disclosures of Cash Flow Information	
Cash paid for:	
Income taxes	$ 3,304

See notes to financial statements.

1 - ORGANIZATION

Club KO franchise LLC is in the business of selling franchise rights for exercise facilities primarily in United States and other regions of North America.

In 2019, the Company granted five franchises; four franchises opened; four franchises closed and one was re-acquired by the Company. At December 31, 2019, there were 86 franchisees.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Cash Equivalents*** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.

b. ***Revenue Recognition***

The Company adopted Accounting Standards Codification ("ASC") 606 - Revenue from Contracts with Customers ("ASC 606") as of January 1, 2019 using the full retrospective method. This method allows the Company to apply ASC 606 to new contracts entered into after December 31, 2018, and to restate the prior reporting period presented (See Note 3).

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Training has been identified as a distinct performance obligation and is therefore recognized currently and offset with training expenses.

Franchise and Area Development Fees - Franchise fees which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 after reduction for training revenue, over the life of the franchise agreement, typically ten years, as deferred. Related franchise sales costs are deferred and amortized as they relate to the deferred revenue. Accounts receivable, under contracts with franchisees, were approximately $121,000 and $108,000 at the end of the year and beginning of the year, respectively.

Royalty Fees - The Company recognizes royalty fee income monthly as 7% percentage of gross franchise revenues.

Continued

c. ***Accounts Receivable*** - Accounts receivable, arising principally from royalties, are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due amounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience.

d. ***Inventory*** - Inventory consisting primarily of supplies, is stated at the lower of cost (first-in, first-out ("FIFO") method) or net realizable value.

e. ***Trademarks*** - The Company created the trademark in 2008. The trademark, which is carried at cost and included in *"other"* on the balance sheet, is considered an indefinite-lived intangible asset and therefore is not amortized. The provisions of ASC 350-30 "Accounting for Goodwill and Other Intangible Assets" requires the trademarks to be tested for impairment. Management has determined no impairment was necessary as of December 31, 2019. Costs incurred to renew or extend the term of trademarks are expensed as incurred.

f. ***Estimates*** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. ***Income Taxes*** - The Company, which has been classified as a partnership for federal income tax purposes, is not subject to federal and certain state income taxes and, accordingly, makes no provision for federal income tax in its financial statements. The Company's taxable income or loss is reportable by its members.

   The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position.

   The Company files federal, and various state and local tax returns.

   The Company did not have material unrecognized tax benefits as of December 31, 2019, and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of other expense.

h. ***Property and Equipment*** - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets, primarily 5 years, using the straight-line method. Upon disposition of the assets, the related cost and accumulated depreciation are eliminated, and any gain or loss is included in operations. Expenditures for major improvements are capitalized. Maintenance and repairs are expensed.

i. ***Marketing and Advertising*** – Marketing and advertising costs are expensed as incurred. The Franchise Sales Agreement grants the franchisor the right to charge the franchisees a marketing fee equal to 1% of gross revenues each month. Management elected to suspend the marketing fee for the year ended December 31, 2019, but plans to institute it in the future after developing a national marketing campaign. Advertising and marketing expense for the year ended December 31, 2019 was $127,462.

Continued

3 - Effect of Adjustments Due to Adoption of New Revenue Standard

Members' equity (deficiency) at January 1, 2019 has been restated due to the implementation of ASC 606. As such, deferred franchise revenue for the year ended December 31, 2018 has been increased by $476,078, deferred franchise costs has been increased by $317,578, and members' equity (deficiency) at December 31, 2018 has been decreased in the aggregate amount of $158,500.

4 - Property and Equipment

Property and equipment at December 31, 2019 consists of the following:

Training equipment	$ 63,895
Computer equipment	9,599
Office equipment	2,750
	76,244
Less: Accumulated depreciation	54,356
	$ 21,888

Depreciation expense for the year ended December 31, 2019 was $14,699.

5 - Related Parties

Club KO Management Inc. provides management services to Club KO Franchise LLC. These entities share common ownership. The management fee calculation is based on a percentage of total payroll expenses for the managing member and other staff members using the amount of time and effort dedicated to franchise activities. Another component of the management fee calculation is an allocation of shared occupancy costs based on a percentage of space dedicated to franchise activities. The total management fee expense for the year ended December 31, 2019 amounted to $1,043,000.

6 - Commitments and Contingencies

Consulting / Marketing Agreements

The Company entered into a consulting agreement in 2014 with the current COO of the Company, who receives a monthly retainer and a percentage of gross revenues from any franchise location for which he initiated the sale of. In the year ended December 31, 2019, consulting expense incurred in connection with this agreement amounted to approximately $195,000. This agreement extends through his employment term as COO.

In the normal course of business, the Company is involved in various legal matters. Management, after discussion with counsel, does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the Company's financial position or results of its operations.

7 - Concentrations

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company places its cash balances with high quality credit institutions. Cash in banks is insured by the Federal Deposit Insurance Corporation ("FDIC") up to

$250,000 per institution. At times, balances may be in excess of the FDIC insurance limit. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts credit risk exposure is limited.

8 - Subsequent Events

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. At the date of the issuance of the financial statements, many of the franchisees have been required to close. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

Subsequent events have been evaluated through April 30, 2020, the date the financial statements were available to be issued.

EXHIBIT I TO THE DISCLOSURE DOCUMENT
GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ by and between Club KO Franchise LLC, a New Jersey limited liability company having its principal place of business located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030 (the "Franchisor"), and _____, an individual residing at _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. New Jersey law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of New Jersey.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness: RELEASOR:

_____ _____

FRANCHISOR:
Witness: Club KO Franchise LLC

_____ By:_____
Name:_____
Title:_____

State Effective Dates

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

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

State	Effective Date
California	April 21, 2022
Hawaii	
Illinois	April 20, 2022
Indiana	
Maryland	
Michigan	May 15, 2021
Minnesota	
New York	February 1, 2008, amended as of July 1, 2021
North Dakota	
Rhode Island	
South Dakota	
Virginia	May 10, 2021
Washington	
Wisconsin	

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

RECEIPT

(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Club KO Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires 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 Club KO Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Club KO Franchise LLC, located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030. Its telephone number is (201) 963-7774.

Issuance date: April 8, 2022.

The name, principal business address and telephone number of the franchise seller for this offering is:

Richard Rosso, 900 Madison Street, Suite 2, Hoboken, NJ 07030, (201) 963-7774	Joseph Andreula, 900 Madison Street, Suite 2, Hoboken, NJ 07030, (201) 963-7774	

I have received a disclosure document dated April 8, 2022, that included the following Exhibits:

A – Agents for Service of Process/State Administrators
B – State Specific Addendum
C – Franchise Agreement
D – Area Development Agreement
E – List of Franchisees and Area Developers
F – List of Franchisees and Area Developers Who Have Left the System
G – Table of Contents of Operations Manual
H – Financial Statements
I – General Release
J – Franchisee Acknowledgment Statement

Date Received: _____ DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)

RECEIPT

(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Club KO Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires 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 Club KO Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Club KO Franchise LLC, located at 900 Madison Street, Suite 2, Hoboken, New Jersey 07030. Its telephone number is (201) 963-7774.

Issuance date: April 8, 2022

The name, principal business address and telephone number of the franchise seller for this offering is:

Richard Rosso, 900 Madison Street, Suite 2, Hoboken, NJ 07030, (201) 963-7774	Joseph Andreula, 900 Madison Street, Suite 2, Hoboken, NJ 07030, (201) 963-7774	

I have received a disclosure document dated April 8, 2022, that included the following Exhibits:

A – Agents for Service of Process/State Administrators
B – State Specific Addendum
C – Franchise Agreement
D – Area Development Agreement
E – List of Franchisees and Area Developers
F – List of Franchisees and Area Developers Who Have Left the System
G – Table of Contents of Operations Manual
H – Financial Statements
I – General Release
J – Franchisee Acknowledgment Statement

Date Received: _____ DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)